EFFECT OF SERVICES OFFERED BY MICROFINANCE INSTITUTIONS ON PERFORMANCE OF MICRO AND SMALL ENTERPRISESIN KARIOBANGI LIGHT INDUSTRY IN NAIROBI, KENYA

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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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ABSTRACT

Micro and Small Enterprises (MSEs) are of great importance because of their role in the economic growth and poverty reduction in many countries. However, many studies carried out on these enterprises reveal that they are faced with a number of challenges including access to finance despite the numerous financial institutions available. This study assessed the effect of services offered by Microfinance Institutions (MFIs) on the performance of MSEs in Kariobangi Light Industry Nairobi, Kenya. This study was conducted in Kariobangi Light Industries, in Nairobi County and targeted operators of MSEs. The specific objectives of this study were; to establish the effect of MFIs' saving services on the performance of MSEs in Kariobangi Light Industry, to establish the effect of MFIs' loan services on the performance of MSEs in Kariobangi Light Industry and to investigate the effect of MFIs' training services on the performance of MSEs in Kariobangi Light Industry. These objectives sought to answer the following questions: what is the effect of MFIs' saving services on the performance of MSEs in Kariobangi Light Industry?What is the effect of MFIs' loan services on the performance of MSEs in Kariobangi Light Industry? and, what is the effect of MFIs' training services on the performance of MSEs in Kariobangi Light Industry?The study adopted descriptive research design targeting a complete census of 210 MSEs. Primary data was collected using structure questionnaires while secondary data was collected from relevant literature. The study used self-administered questionnaires to collect primary data from the respondents. Data collected was analyzed both descriptively and statistically. Quantitative data was analyzed using descriptive statistics such as frequencies, modes, means and standard deviations. Likert type data was analyzed using mode as the focal point of discussion. A Cross-tabulation of variables was generated to determine the relationship between the study variables. Linear regression and Chi-Square test was conducted to determine the effects of MFI on the performance of MSEs in the study area. Analysed data from a response rate of 86% was presented in tables and charts to represent quantitative findings. Interpretation of data and inferences were made to describe the research findings. The study findings revealed MFI saving and loan services have positively influenced the performance of MSEs in

Kariobangi Light Industries but the training services have not contributed positively. The study recommends there is need for MFIs and MSEs stakeholders to come up with measures of addressing the poor performing training component of MFIsservices in Kenya.

Keywords: Microfinance Institutions Services, Micro and Small EnterprisesPerformance

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DEDICATION

This work is dedicated to my husband, Mr.AggreyChole, for standing with me throughout my studies and for paying all the fees thereby required.

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ACRONYMS AND ABBREVIATIONS

CBA	:	Commercial Bank of Africa
GDP	:	Gross Domestic Product
ILO	:	International Labour Organization
KCA	:	Kenya College of Accountancy
MFIs	:	Microfinance Institutions
MSEs	:	Micro and Small Enterprises
RBV	:	Resource-Based View
ROSCAs	:	Rotating Savings and Credit Associations
SMEDA	:	Small and Medium Enterprise Development Authority

TERMS AND DEFINITIONS

Small Enterprises: Small businesses are normally privately owned corporations, partnerships, or sole proprietorships. According to the European Union, they employ between 10 and 50 employees, including the manager. They have a sales turnover of more than 10,000,000 Euros but less than 50,000,000 Euros (Liedholm& Mead, 2013).

Micro Enterprises: Micro Enterprises are usually informal units employing less than 10 employees and have a sales turnover of less than 10,000,000 Euros. They are usually family businesses and the owners only make effort to enhance their growth when something in their lives changes and they need to generate a larger income (Bowen et al., 2012).

Microfinance Institutions (MFIs): Financial institutions which specialize in banking services for low-income groups or individuals who would not normally be accepted by traditional banks. Their roots in Kenya can be traced to mid-1950s when the Joint Loans Board scheme was established to provide credit to indigenous Kenyans with small trading businesses (Okatch&Mairura, 2015).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The classification of firms falling under Micro and Small enterprises (MSEs) varies from one country to another. Micro enterprises have less than 10 employees while Small enterprises have at least 10 but less than 50 employees (Petrakis &Kostis, 2012). In Ghana, MSEs is defined as business enterprises having an annual turnover of between $23,700 and $2,370,000 (Owusu&Adoley, 2014). This thus indicates that MSEs make a big contribution towards employment creation. MSEs are also said to be responsible for driving innovation and competition in many economic sectors (Petrakis &Kostis, 2012). They have a great role in the economic health of most developing countries, as well as developed and established countries. International Labour Organization (ILO) report (2005) shows that small scale enterprises made up 95% of all registered enterprises in the manufacturing sector of developing countries.

According to World Bank Report (2014), MSEs in the United Kingdom accounted for 99.9% of all private sector businesses, and have a combined turnover of £1.5 billion. In India, the MSE sector is often referred to as the backbone of India's Gross Domestic Product (GDP), contributing nearly 40% to that country's entire output. In the Trinidad and Tobago, statistics show that at the end of 2011, the 20,000-odd MSEs contributed close to 30% of GDP and employed over 200,000 persons.

It is estimated that within middle income countries (where most Caribbean economies can be placed) MSEs contribute over 90% of employment and 70% of GDP, thus playing a crucial role in poverty eradication. Their growth therefore, is key for any nation's overall economic well-being.

As quoted in Okatch (2011) MSEs play an important role in most developed and developing countries; not just because of their number and variety or their involvement in all segments of the economy, but more importantly, their role in employment creation. The potential of micro and small enterprises (MSEs) in both employment creation and raising incomes for many Kenyan families makes them an important element in the poverty reduction strategy (Kiveu&Ofafa, 2013). Republic of Kenya Economic survey report (2012) indicates that in 2011, about 520,100 new employment opportunities were created in the Kenya economy. Out of these, 86% were in the informal sector and only 14% in the formal sector. According to the Republic of Kenya Economic survey report (2013), 660,000 new employment opportunities were created in 2012. Out of these, 90% were in the informal sector and only 10% in the formal sector. In 2013, 742,800 new employment opportunities were created and out of these, 81% were in the informal sector and only 19% in the formal sector (GoK, 2014).

MSEs in general, are however constrained in terms of infrastructural resources such as technology, finances, marketing and human resources, gender inequality, limited access to information and limited linkages to large enterprises, among others, according to Sessional Paper No2 (Republic of

Kenya, 2005). The ability of MSEs to compete in the global market depends on their access to these resources and those MSEs which have better access to these infrastructural resources are able to exhibit better economic performance (Jenkins et al., 2007).

1.2 Microfinance Institutions

The concept of microfinance is not new. Savings and credit groups that have operated for centuries include the "susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia, "cheetu" in Sri Lanka, "tontines" in West Africa, and "pasanaku" in Bolivia, as well as numerous savings clubs and burial societies found all over the world. An economist, Muhammad Yunus, the winner of the Nobel Peace Prize in 2006, started the special Grameen Bank which literary means “village bank” in Bangladesh in 1983, and proved that even these poor people were well able to pay back their loans. This was also an effort to break the vicious cycles of poverty (Islam et al., 2011).

Credit unions are not-for-profit financial cooperatives. In the early stages of development of many nation's financial system, un-served and under-served populations had to rely on risky and expensive informal financial services offered by money lenders, ROSCAs and were involved in risky home savings. Credit unions proved that they could meet demand for financial services that banks could not provide. The first working credit union models sprang up in Germany in the 1850s and 1860s, and by the end of the 19th Century had taken root in much of Europe. Similar institutions known as gojoko, were independently developed earlier in Japan, in the early 19th century, by Agrarian reformer and economist NinomiyaSontoku where each person of the village union could borrow fund interest free for 100 days, while the entire membership shared the cost in case of default (Ohno, 2015).

Microfinance institutions have undergone tremendous changes in the recent past, having started as small as money lenders, shylocks and community / members savings' groups, to the current microfinance institutions that offer credit, savings and training, among other services.

These institutions deal with the poor, ill remunerated individuals and more so, women and the physically challenged, who have in the past been considered as credit risks, and therefore have been ignored and left out by the formal financial sector. These are able to provide micro credits without collateral, an act of empowering the poor to gain economic independence and get out of poverty. Initially, there were no set regulations governing them, leading to fraudulent activities by management or simply mismanagement and consequently collapse, as was seen with Rural Urban microfinance. The Microfinance Act, 2006 became operational on 2nd May 2008 and sets out the legal, regulatory and supervisory framework for the microfinance industry in Kenya (Wambugu&Ngugi, 2012).

According to the Association of Microfinance Institutions of Kenya, there are sixty four (64) Deposit Taking Microfinance Institutions in Kenya currently, with a total of two hundred and thirty five (235) branches all over Kenya. A list of these MFIs is provided in the Appendix I. The growth of microfinance institutions has encouraged a saving culture and consequently the growth of MSEs, which make a remarkable contribution the country’s GDP. Due to competition, formal institutions have also started to provide microfinance services. For instance, Safaricom and Commercial Bank of Africa (CBA) have formed a strategic alliance and come up with the Mshwari product which offers microfinance services. Mshwari had six hundred and forty five thousand (645,000) clients and Kshs. 150million as savings, within its first twenty one (21) days of incorporation.

1.3 Perspectives of Business Performance

Neely et al. (2012) define performance as the process of quantifying the efficiency and effectiveness of past actions, while Moullin (2015) defines it as the process of evaluating how well firms are managed and the value they deliver to customers and other stakeholders. Traditional performance measures included; utilization which measured how intensively a resource was used to produce a product or service; efficiency which measured how well a resource performed relative to an established standard; and productivity which measured the overall ability of producing a product or service. Today, firms use systems consisting of a mix of financial and non-financial measures to track progress in performance (Epstein et al., 2012). A full scope copy of the performance of an organization can however never be obtained, as generally, some of the parameters cannot be measured directly but must be estimated via indirect observation. The diversity and unique requirements of different enterprises, suggest that no one-size-fits-all approach will ever do the job (Barrett & Weinstein, 2015).

Performance indicators are measures that are commonly used to help a firm define and evaluate how successful it is, generally in terms of making progress towards its long term organizational objectives (Harris et al., 2014). They are therefore, quantifiable measurements that are agreed upon beforehand, and these reflect the critical success factors of a firm. MSEs performance can be measured in monetary terms for instance profits, cost effectiveness, revenue, savings and value of assets held. It can also be measured quantitatively in terms of stock levels, units of sales, number of employees, percentage of market share and quantity of stock held. Time measurement includes man- hours or machine - hours.

Performance of MSEs can also be measured in terms of capital employed, typically expressed in financial terms, as rate of return on investment or in terms of current ratio arrived by dividing current assets to current liabilities.

It is important to note that the key performance indicators will differ depending on the organization but whatever measurements are selected must reflect the organizational objectives, be key to its success and must also be quantifiable or measurable (Chang et al., 2015).

1.4 Statement of the Problem

Despite the fact that MSEs play a vital role in the economic structure of many nations due to their significant contribution in terms of output, exports and employment, to-date, this industry is still hampered by the problems of finance, marketing and low quality products (Chowdhury et al., 2015). Rajesh and Mahapatra (2009) reckon that MSEs are often confronted with problems that are uncommon to the larger companies and multi-national corporations.

Mwita et al. (2012) noted that MSEs’problems included inability to attract and retain good personnel due to the expenses involved; lack of IT literacy in their employees, who most often joined the enterprise at low ranks but with passage of time, rose up the ladder to supervisory levels and may be highly resistant to the changes in the working process; lack of formal procedures and documentation, thereby making it difficult for third parties to understand the existing business practices in order to do business with them or match them with an IT process; lack of leadership and management skills; and lack of financial resources making majority MSEs select solutions which appear to be cheap initially, but have hidden costs which end up emerging during implementation, sometime causing the project to be abandoned or sending the firm into further financial crisis; lack of using consultants who would otherwise often save time and effort, and help the MSE to prevent pitfalls during projects.

Kisaka and Mwewa (2014) agree that micro-credit, micro-savings contribute positively to MSEs’ growth and performance. However, the training conducted by MFI does not address the real needs of MSEs which has led to many MSEs shunning MFI services.

Bello (2012) states that expanding access to saving is of great importance to business survival and performance because it gave a chance to even the very poorest who may otherwise have not qualified for micro-finance services, to make savings and as a result be able to access microcredit and thereby alleviate poverty. According to Shastri (2012), Micro-savings services allow people to save small amounts of money for future use, often without minimum balance requirements.

Numerous studies have been conducted on effect of microfinance institution services on the performance of micro and small enterprises both locally and world over, but none has directly addressed savings, loan and training services on the performance of micro and small enterprises (MSEs) located at the Kariobangi Light industry in Nairobi, Kenya. This study therefore aimed at establishing whether savings, loans and training services offered by microfinance institutions enhance the performance of micro and small enterprises in Kariobangi Light industry in Nairobi, Kenya.

1.5 General Objective

The general objective of this study was to assess the effect of microfinance institutions on the performance of micro and small size enterprises (MSEs) in the manufacturing industry.

1.6 Specific Objectives of the Study

i) To establish the effect of Micro Finance Institutions saving services on the performance of MSEs in Kariobangi Light Industry.

ii) To establish the effect of Micro Finance Institutions loan services on the performance of Micro and Small Enterprisesin Kariobangi Light Industry.

iii) To investigate the effect of Micro Finance Institutions training services on the performance of Micro and Small Enterprisesin Kariobangi Light Industry.

1.7 Research Questions

i) What is the effect of Micro Finance Institutions saving services on the performance of Micro and Small Enterprisesin Kariobangi Light Industry?

ii) What is the effect of Micro Finance Institutions loan services on the performance of Micro and Small Enterprisesin Kariobangi Light Industry?

iii) What is the effect of Micro Finance Institutions training services on the performance of Micro and Small Enterprisesin Kariobangi Light Industry?

1.9 Significance of the Study

i) This study will be useful to the micro and small entrepreneurs because if they adopt proper utilization of the MFIs’ savings, loans and training services, they will have capital acquire resources which are valuable, rare, hard to copy and non-substitutable, necessary to enhance their performance. They will also acquire knowledge which will help them engage in continuous quality improvement, thereby ensuring business growth and maintenance of a cleaner and healthier environment which will enhance their public image.

ii) Will increased business performance of the MSEs, the Government will benefit from increased revenue in terms of taxes collected since the MSEs’ sales revenue will be higher. New business people will be able to come on board and actualize their business ideas into business ventures.

iii) The Microfinance Institutions will also perform better since they will have increased clientele and therefore improved business performance. With an enlightened clientele, the risk of unrecoverable loans due to mismanagement of the loans on the part of the business people will be minimized.

1.10 Justification of the study

The roles of MFIs include their duty to help citizens build a saving culture, avail microcredit and training services to the previously abandoned poor, amid fears of defaulting, as these poor do not have assets to act as collateral. MSEs make a remarkable contribution towards employment and generally improvement of a nation’s economy. It is therefore, necessary to understand how MSEs can use MFIs to enhance their performance and at the same time, have the MFIs operate without fear of losing money on defaulters.

1.11 Scope of the Study

The study will be limited to the manufacturing micro and small enterprises based at the Kariobangi Light industry along the Outering road, Nairobi.

1.12 Assumptions

This study was conducted on the assumption that the MSEs in Kariobangi Light Industries access to MFI saving, loan and training services. The study also assumed that MSEs operators will be available to be interviewed and provide honest responses.

1.13 Limitations of the Study

The respondents were too busy and could not fill questionnaires when they were administered and therefore there was no enough time to guide them to fill. This limitation was addressed by allowing them to take with them the questionnaires and fill at their convenience time. The respondents complained of so many studies being done requiring them to participate almost every month which made some respondents refuse to participate. This limitation was addressed by explaining to them the exercise was purely an academic exercise and all information will be treated with utmost confidentiality. Some respondents were adamant to fill questionnaires since some thought we were collecting data on behalf of the MFIs where they are members. This limitation was addressed by assuring that no person would be required which MFI they save with and no law data from the questionnaire will be shared with any MFI.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses literature related to effects of services offered by microfinance institutions (mainly savings, loans and training), on the performance of micro and small enterprises (MSEs). It focuses on two substantive literature aspects. The first part is review of theories on business' performance, citing the following theories: The "Resource Based Theory" which advocates for resources that are valuable, rare, hard to copy and non-substitutable necessary to enhance performance and these can be acquired through utilization of the savings, loan and insurance services offered by MFIs; the "Knowledge Based Theory"; whereby the training services offered by MFIs create knowledge which is key in improving the performance of MSEs; the "Six Sigma Theory" which emphasizes on continuous quality improvement, which can be attained through embracing MFIs' training services.

The second part is empirical review of studies done by other researchers on effects of microfinance institutions savings, loans, training and insurance services, on the performance of MSEs. At the end of the literature review, knowledge gaps are identified and a conceptual framework is presented.

2.2 Theoretical Review

This section will consider three theories namely, the Resource Based Theory of a Firm’s Performance; the Knowledge Based Theory of a Firm’s Performance; and the Lean Six Sigma Theory of a Firm’s Performance.

2.2.1 The Resource Based Theory of a Firm's Performance

The Resource-Based View (RBV) theory of a firm's Performance by Barney (1991), is a basis for the superior performance enabling a firm to outperform its competitors based primarily in the application of the various tangible or intangible resources at its disposal.

According to the author, to create and to sustain the out-performance of competitors, a firm requires to have resources that are "valuable" in that they should enable a firm to employ a value-creating strategy, or reduce its own weaknesses. The resources should be "rare and not easily available". They should be "in-imitable", thus not easy for competitors to copy or duplicate; and finally, they should be "non-substitutable". Micro and small size enterprises that manage to acquire and effectively utilize such resources record high performance levels for they have a competitive advantage.

2.2.2 The Knowledge Based Theory of a Firm's Performance

The knowledge-based theory of the firm by Penrose (1959) considers knowledge as the most strategically significant resource of a firm. The author argues that because knowledge-based resources are usually difficult to imitate and socially complex, heterogeneous or unique knowledge bases and capabilities among firms are the major determinants of sustained competitive advantage and superior performance of a firm.

This knowledge should be embedded and carried through the firm's organizational culture, policies, routines, documents, systems, and employees. He argued that Knowledge as the basis that explains the differences in firms' performance, for knowledge is the capability to transform resources.

Resources are always trade-able and often tied to the individual; while capabilities are not trade-able and do not necessarily belong to sole individuals. Micro and small size enterprises which conduct effective knowledge management attain sustained high performance.

2.2.3 The Lean Six Sigma Theory of a Firm's Performance

Six Sigma is one of the key performance improvement approaches, formulated for quality management in the manufacturing sector. The author, Motorola (1986) advocates for 99.99966% defects free production, through a continuous quality improvement program that is customer focused and provides a problem-solving methodology using statistical tools. It promotes reduction of process cycle time, pollution and costs, while at the same time, increasing customer satisfaction and profits, thus performance (Singh &Malhotra, 2014).

Six Sigma projects are only approved once the team demonstrates the savings that the project will yield. It integrates both human aspects (culture change, training, customer focus, etc.) and process aspects (process stability, variation reduction, capability, etc.) in continuous improvement. Its methodology, Define-Measure-Analyze-Improve-Control (DMAIC) provides a sequential linkage of the tools and techniques. Finally, Six Sigma creates a powerful infrastructure for training of Champions, Master Black Belts, Black Belts, Green Belts and Yellow Belts (Parast, 2011). Attributes to sigma six success include management involvement, employees’ attitude, organizational infrastructure, project management skills and human resources, among many factors (Kumar et al., 2011).

2.3 Empirical Review

2.3.1 Introduction

This section is a review of studies done by other researchers on effects of savings, loans and training by MFIs, on the performance of Micro and small Scale Enterprises.

2.3.2 Effects of Savings Services on the Performance of MSEs

Ishengoma and Kappel (2011) established that access to safe and flexible savings services can play a critical role in poor people's strategies for minimizing risks, mitigating income fluctuations, facing unexpected expenditures and emergencies, and building a small asset base over time. This is particularly important for the very poor living in rural areas, who may lack investment opportunities and safe ways of keeping their savings.

Most poor families do save and often in a non-financial form because they frequently lack access to good formal savings facilities. These in-kind savings are subject to fluctuations in commodity prices, and destruction by pests, fire and theft. While micro-finance institutions offer both good loan services and good voluntary savings services, worldwide experience shows that there is usually more demand for savings than for loans. Better availability of safe savings facilities increases self-financing capacity and thus reduces the need to borrow, with its inherent risks. Saving is thus a less risky way to obtain Investment capital than taking on a debt with a fixed repayment obligation (Rajesh &Mahapatra, 2009).

Ishengoma and Kappel (2011) indicate that traditionally, micro-finance mobilization of savings has taken place in the form of compulsory savings under group or individual lending methodologies. Often a percentage of the loan amount is required as mandatory savings and is meant to guarantee group loan repayment. Compulsory savings were also seen as a way to instil savings habits in poorer households. Experience has shown, however, that compulsory saving is not conducive to encouraging clients' saving habits, but rather is considered as one of the requirements for accessing loans.

It is the mobilization of voluntary savings, ensuring safety, flexibility and accessibility, which can have the strongest impact on the performance of MSEs. Ensuring the existence of safe and accessible savings services for micro and small size enterprises should be a priority for all microfinance development programmes. Possible ways for microfinance institutions to make the service available at lower costs include mobile banking, microfinance officers visiting rural communities on market days, and facilitating groups in collecting and depositing individual voluntary savings (Kalu&Nenbee, 2013).

Nanyama (2014) points out that mobilizing savings of small-scale enterprises implies risk and microfinance institutions allowed to do so, should clearly show their capacity to mobilize savings safely. Accordingly, they should demonstrate strong governance and professional management, strength and reliability, adequate internal controls, financial management and information systems, the guarantee that deposits and savings are not used to cover their operating expenses and records of strong loan portfolio quality management.

In most countries, mobilization of public savings is restricted to banks, where regulations should be in place for effective supervision. MFI infrastructure increases the scope for mobilizing domestic savings even in rural areas which can be done in various ways including savings clubs, mobile savings banks, and formal Microfinance institutions such as Postal office savings banks, building societies, cooperative societies, informal saving groups, and money lenders (Shaheen&Batool, 2013).

2.3.3 Effects of Loan Services on the Performance of MSEs

Daou et al. (2014) recon that there is considerable heterogeneity in the socioeconomic background of borrowers as well as in the sources for start-up capital employed by micro enterprises in Mexico.

Moreover, there is clear evidence of liquidity constraints in the market for start-up capital that could hinder the creation and growth of small enterprises. Daou et al. (2014) observed that the process of application for loans starts with small amounts and it is only after repayment that the client can apply for the next higher amount. This process is a limiting factor for those customers who need a large amount right from the beginning. This is true because it takes an unnecessarily long time for those seeking a large loan to obtain enough funds to meet their needs. In addition to the time taken to receive large loans, the clients also raised concerns about the time frame from the receipt of the loan to the time of starting repayment, which was just one week after the disbursement of funds in most cases.

Ofori et al. (2014) analysed the impact of microfinance loans on productivity and growth in Ghana and highlighted that the clients put the MFI loans to good use and clients with a higher number and a higher average size of MFI loans were found to have higher growth rates than other enterprises. A cross sectional analysis of sales revenue showed that MSEs with MFI loans generated higher sales revenue.

Kisaka and Mwewa (2014) concur that MSEs make significant growth after accessing loans and recommend that other MSEs should follow suit, if the country is to achieve its vision 2030. Lack of finance is one of the main reasons for MSEs poor performance in most developing countries (Terungwa, 2012).Cooper (2012) established that MSEs largely depend on micro financing for growth. A significant percentage of MSEs were found to seek and have access to micro credit for their businesses. The researcher also established that microfinance services have assisted enterprises to change their status through growth in sales level from micro to small and from small to medium.

Access to credit enabled the MSEs to cover some or all of the cost of capital, expansion, or renovation of buildings. Though MSEs have easy access to micro finance services, the study indicated that they have no exemption from strict requirements when applying for loans. UWFT (2010) found that majority of MSEs that accessed adequate funds from microfinance institutions increased their volume of sales and consequently, the profits. MSEs also acquired assets using MFIs loans (UWFT, 2010).

According to UNDP report (2012), MSEs in Kenya were able to acquire fixed assets and technologies using MFIs. This revealed a positive significant relationship between amount of loan and MSEs’ achievement of goals. Wanambisi and Bwisa (2013) argue that inadequacy of capital hinders the expansion of businesses. Larger loans enable MSEs to graduate to medium enterprises. Osoro and Muturi (2013) also support this argument and concur that those MSEs that receive large loans, most often have a larger labour force than those MSEs that received smaller loans.

Kairaria (2014) agrees that most MSEs borrow investment capital, with few inheriting their businesses from their parents or guardians. He argued that loan had the largest significant effect on the financial performance of micro and small enterprises with a beta coefficient of 0.309, followed by savings mobilization with a beta coefficient of 0.210 and training having the least but significant effect with a beta coefficient of 0.048.

Provision of microfinance to the youths to engage in micro and small enterprises will therefore spur economic development and keep our Kenyan youth busy, thus avoiding disasters like what the country experienced in the post-election violence in 2008. Sifunjo et al. (2014) indicate that the objective of every micro-entrepreneur is to grow their businesses into large enterprises.

To achieve this, most of the micro-entrepreneurs make use of microfinance services and training to improve their productivity and profitability. The results of the study showed that micro-credit, micro-savings and training, jointly contribute positively to MSEs growth. Lack of access to credit is a major constraint inhibiting the growth of the MSEs sector (Sifunjo et al., 2014).

The World Bank report (2013) also agrees with these sentiments. The issues and problems limiting MSEs access to financial services include lack of tangible security, coupled with inappropriate legal and regulatory framework that does not recognize innovative strategies for lending to MSEs. Limited access to formal finance due to poor and insufficient capacity to deliver financial services to MSEs continues to be a constraint in the sector’s growth. Formal financial institutions perceived MSEs as high risk and commercially unviable. As a result, only a few MSEs accessed credit from formal financial institutions in the country. Mwangi et al. (2013) recon that inadequacies in access to finance are key obstacles to MSEs growth. Mwobobia (2012)) also agrees positive and significant relationships exist between MFIs loans and MSEsperformance.

2.3.4 Effects of Training Services on the Performance of MSEs

Storey (2013) argues that training services on business skills enhance performance. He concluded that the most important factors of business success among entrepreneurs were: a successful record of previous work history; strong analytical skills acquired in a broad humanistic education;

early investment in personal reputation and broad biographical experience outside the narrow field of the profession; early socialization experiences functioning as biographical resources in the discovery of successful business ideas; and a training on how to communicate effectively with customers in an increasingly global and knowledge - based economy.

Kisaka and Mwewa (2014) established that Small and Medium Enterprise Development Authority (SMEDA) organizes training programs, seminars, workshops and conferences of short duration in major cities across the country for raising awareness and capacity building of MSEs. These need based training programs are affordable, appropriate and innovative. These programs are aimed at improving knowledge, skills and competencies in the technical, marketing, financial, compliance, regulatory, legal and commercial functions. They help to improve major performance indicators such as productivity, quality, competitiveness and sustainability etc.

The training thus aids improvement in areas such as export potential, investment promotion, business transparency, human resource development, managerial capacity building etc. These programs help decreasing the level of MSE mortality and increasing efficiency. Osoro and Muturi (2014) agree that training offered by DTMs to MSEs is important for the successful performance of these enterprises. The study divides factors affecting the performance of a business into two categories: (a) management competence and (b) environmental factors.

Management competence encompasses functional knowledge, management skills and managerial behaviour. Thus, training of competencies such as marketing, financial control and networking among others (Kisaka&Mwewa, 2014). Njoroge et al. (2013) recon that the quality of goods and services produced without training is much lower than those produced where there is training. Other than the lack of relevant or sufficient skills, however, this can also be attributed to desire to maintain unreasonably low-costs and the use of low quality materials.

This is evident from the fact that most entrepreneurs in Kenya have come up through apprenticeship, and as such, lack sufficient knowledge, skills and technical training that is necessary to undertake businesses in the modern and highly competitive markets. Njoroge (2015) established that it is the management's responsibility to formulate the necessary financial controls in the business, so as to have all necessary financial records kept. Decisions of what style and type of marketing to adopt, size of the marketing budget, what and when to advertise, pricing policy, staffing and employee training and skill development are all management functions in the entrepreneur's docket. There is therefore need of training for managers in manufacturing MSEs.

2.4 Conceptual Framework

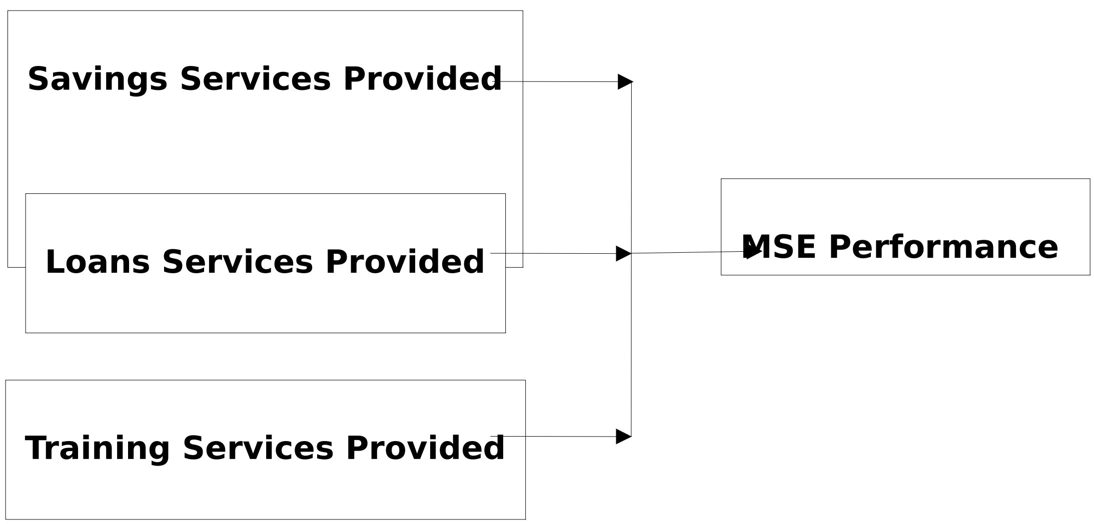
2.4.1 Introduction

The independent variables considered in this study will be utility of Savings, Credit, Training and Insurance services offered by DTMs, while the dependent variable is performance of the MSEs. Performance will be measured by employment provided, number and value of assets acquired due to use of credit, stock levels and market share acquired, management skills, marketing systems, competence of employees and customer care.

FIGURE 1

CONCEPTUAL FRAMEWORK

Independent Variables **Dependent Variable**



2.4.2 Operationalization of the Variables

TABLE 1

OPERATIONALIZATION OF THE VARIABLES

Variables	Indicator	Measurement	Questions
MFI Savings Services	• Small regular Deposits • No fees charged for the service	• Access to MFI savings services • No. of deposits in a week • Transaction / Ledger fee	Section B
MFI Loans Services	•Progressive lending •Short term loans	• Ease of access to MFI loan services • Loan top-ups	Section C

		• Duration taken to processes small loans to meet temporary shortfalls. • Percentage of loans applied by MSEs that are granted by MFIs.	
MFI Training Services	• Pre loan training • Post Loan business management training	• Record of expenses and receipts • Utilization of the loans granted by MFIs	Section D
MSE Performance	• Sales Levels • Stock levels	• Sales and stock levels before and after MFI engagement.	Section E

Source: Research data (2015)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section entails research design, that is, the framework that the study used to answer the research questions. It is followed by the target population, that is, the entire respondents the study focused on. A census was conducted since the population was not very large and the elements were located within close vicinity. This section finally ends with data analysis techniques that were used.

3.2 Research Design

This study adopted descriptive research design. According to Heppner et al (2007), descriptive research design is conclusive. This descriptive research design has therefore aided in the determination, evaluation and selection of the best course of action to be taken to ensure that Micro and Small enterprises experience enhanced performance through utilization of the savings, loan and training services offered by microfinance institutions. It has also help to determine the degree to which the research variables are related (Churchill & Brown, 2007). This research design further permitted collection of data from many elements within a short time since it allowed use of research instruments like questionnaires.

3.3 Target Population

The target population of the study consisted of Manufacturing MSEs in Kariobangi Light Industry, Nairobi. This area was selected for this study because it has a large concentration of light industries which are categorized as MSEs by Kenya Bureau of Standards (KEBs). The area also contains nearly all types of manufacturing companies which are represented in the stated population. The population is estimated at 210 according to KEBs records as indicated below.

TABLE 2

TARGET POPULATION

Category	**Population**
Foodstuff	37
Textile	11
Electronics	29
Machinery	27
Chemicals	17
Stationery	16
Furniture	9
Plastic ware	24
Assorted metallic items	21
Cutlery and crockery	19
Total	**210**

Source: Kenya Bureau of Standards (2013)

3.4 Data Collection Instruments

Primary data was collected using questionnaires, personally administered to the entrepreneurs (owner/manager) using the ‘drop and pick later’ method while secondary data was collected from relevant literature. Questionnaires were preferred because questionnaires are easier to administer. They contained structured questions and thus data was highly reliability because responses were limited to the alternatives stated. Fixed response questions reduced variability in results, which could have arisen from different interviewees.

3.5 Instrument Validity

According to Mugenda and Mugenda (2003), validity is the extent to which results realised from the analysis of primary data collected in a research truly represents the phenomenon under study.Validity according to Veal and Darcy (2012) is the degree to which information collected by the researcher actually depicts the phenomenon being studied. The questionnaires were subjected to face validity test, by administering to ten of the target respondents, to pre-test its content, wording, sequence, form and layout, ease of questions and instructions. The respondent's remarks are noted and respective adjustments effected. These ten questionnaires will not be considered in the final analysis.

3.6 Instrument Reliability

Reliability of instruments is critical in ensuring that data collected is authentic. Joppe (2012) asserts that reliability is the extent to which results are consistent over time using the same measuring instruments and can be reproduced under a similar methodology. The reliability of the research instrument for this study was achieved by subjecting questionnaires to pre-testing.

3.7 Pre-Testing

Pre-testing of the research instruments was carried out at GikobaJua Kali SMEs members in Nairobi County which had similar characteristics like Kariobangi Light Industry MSEs.Mugenda and Mugenda (2003) advocates that 1% to 10% of the questionnaires are adequate for pre-testing and yield reliable data for assessing the reliability. In this study, five per cent (11 questionnaires) of the instruments were used for pre-testing using split half method. The pre-test study results were subjected to Spearman–Brown to determine the reliability of the instruments. The

Spearman–Brown prediction formula returned a p-value of 0.65 which was a confirmation that the research instruments were reliable.

3.8 Ethical Consideration

The researcher used an introduction letter from the University to each of the respondents. The respondents were assured that the purpose of the study was purely academic and their feedback would be treated with confidentiality and privacy.

3.9 Data Analysis and Presentation Technique

The completed questionnaireswere edited for consistency and completeness. This study adopted Chi square test to determine the relationship between the dependent and independent variables. The dependent variable in the study was the business performance of MSEs, while the independent variables were services offered by MFIs, namely savings, loan and training. To facilitate Chi- Square test analysis a composites score was obtained by adding the score for very poor and for poor to form one score category namely poor. The score for good, very good and excellent were combined to form a good score. The composite scores results resulted in data that was used to generate Chi-square alpha (p=value) that was used to determine the statistical significance of the relationship between the independent and dependent variables.

A Chi-Square p value of more that 0.05 is an indicator that tested variables do not vary there is no statistical difference among the group variables while a p values equal or less than 0.05 is an indicator the tested variables vary and therefore there is statistical difference among the group variables. Logistic regression was conducted to compare the relationship between independent and dependent variables.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter discusses the research analysis and findings. Descriptive statistics such as measures of central tendency, dispersion, frequency distribution and inferential statistics was used to analyse collected data. The study findings were presented in tables and charts. Statistical findings for each item in the questionnaire and inferences made are discussed under specific subheadings.

4.2Response Rate

The study targeted 210 MSEs in Kariobangi Light industries where a total of 195 questionnaires were administered. Out of 195 questionnaires, 177 were returned and only 167 were found valid for analysis. Table 3 shows the response rates.

TABLE 3

Response Rates

Target population	Issued questionnaires	Returned	Not returned	Valid for analysis
210 (100%)	195(93%)	177(91%)	18(9%)	167(86%)

Source: Research Data (2015)

As presented in Table 3, 177(91%) of the administered questionnaires were returned, 18(9%) were not returned while 167(86%) were found valid and used to analyse collected primary data. According to Mugenda and Mugenda

(2008) a 50% response rate is adequate, 60% good while above 70% is rated very well. Based on the response rate for valid instruments for this study at 86% is an indicator of well filled questionnaires. The high response rate could was attributed to small number of target respondent per firm. About 9% did not return the questionnaire due to unexplained reasons.

4.3 Demographic Characteristics of the Population Sampled.

This section presents background information of the study participants. The study background captured views of 167 respondents with a wide range of demographic characteristics. These characteristics included position of the respondent in the firm, gender, age, education level among others as discussed below.

4.3.1 Position and Gender of the Respondent in the Firm

The study deemed it necessary to determine the composition gender and position of the respondents in the sampled SME firms. The distribution of the study findings according to gender is as presented in Table 4.

TABLE 4

Position and Gender of the Respondent in the Firm

Position		**Respondent gender**		**Total**
		Male	**Female**	
Owner	Count	53	16	69
	% of Total	31.7%	9.6%	41.3%
Manager	Count	38	18	56
	% of Total	22.8%	10.8%	33.5%
Sales persons	Count	8	12	20
	% of Total	4.8%	7.2%	12.0%
Accountant	Count	3	2	5
	% of Total	1.8%	1.2%	3.0%

Assistant manager	Count	13	4	17
	% of Total	7.8%	2.4%	10.2%
Total	**Count**	**115**	**52**	**167**
	% of Total	**68.9%**	**31.1%**	**100.0%**

Source: Research Data (2015)

The study findings in Table 4 shows that majority 115(68.9%) were males while 52(31.1%) were females. The study also established that 69(41.3%) of the respondents were owners, 56(33.5%) were managers while 20(12.0%) were sales persons. The larger numbers of respondents were owners of the MSEs which can be attributed to the fact that majority MSEs are operated by owner. These findings are in agreement with Woldie, Leighton and Adesua (2008) who noted that majority of MSEs in the world are in the hands of individual owners.

The study also found that majority 98(58.7%) of the MSEs have other supportive staff other than owners. These findings may imply that some MSEs are large enough to warrant employing staff to assist in their operations.

4.3.2 Respondent Age Distribution

The study sought to establish the age distribution of the respondents. The study findings are as presented Table 5.

TABLE 5

Respondents Age Distribution

Age in years	Frequency	Per cent
21-25	26	15.6

26-30	14	8.4
31-35	24	14.4
36-40	23	13.8
41-45	29	17.4
46-50	28	16.8
Above 51 years	23	13.8
Total	**167**	**100.0**

Source: Research Data (2015)

As indicated in Table 5, there was no absolute majority of dominant age among the participants since highest score was 29(17.4%) in age between 41 – 45 years. The lowest was 14(8.4%) in the age group of 26-30 years. The results above imply that MSEs are operated by all age groups.

4.3.3 Education Level

The study sought to establish the highest education levels of the respondents. The study findings are as presented Table 6.

TABLE 6

Respondents Education Levels

Education Level	Frequency	Per cent
Diploma or Certificate level	80	47.9
Secondary Education	49	29.3
Degree and above	34	20.4
Primary Education	4	2.4
Total	**167**	**100.0**

Source: Research Data (2015)

The study finding above reveals that over 97.6% of the respondents had secondary level of education and above with only 4(2.4%) having primary level of education. These finding is a revelation of an educated MSEs operators who are capable of making informed decision. King and McGrath

(2002) argues that education and more so vocational skills are prerequisite for succes operations of MSEs in Africa.

4.3.4 Commodities and MSEs in Kariobangi Light Industries

The study sought to establish the distribution of the MSEs in terms of the commodities they deal with. This was necessary in order to determine if the sample was representative. The study findings are as presented Table 7.

TABLE 7

Commodities

Commodities	Frequency	Per cent
Foodstuff	26	15.6
Electronics	20	12.0
Machinery equipment	22	13.2
Chemical/Paints	16	9.6
Stationery	14	8.4
Plastic/Rubber ware	15	9.0
Assorted metallic items	18	10.8
Property management	10	6.0
Cutlery and crockery	13	7.8
Textile	8	4.8
Furniture	5	3.0
Total	**167**	**100.0**

Source: Research Data (2015)

The study findings in Table 7, above shows that Kariobangi Light industries have a wide number of commodities MSEs operators deal with. These commodities range from food stuffs 26(15.6%) to furniture 5(3.0%). These results imply that there are a lot of opportunities for MSEs manufacturing in Kariobangi Light Industry which is supporting wide range of entrepreneurs of different ages and education level.

4.3.5 Duration in the Manufacturing Business

The study sought to establish the duration the respondents were involved in the manufacturing business. The study findings are as presented Table 8.

TABLE 8

Experience in the Manufacturing Business

	Mode	Minimum	Medium	Maximum	Mean Age in years	Std. Deviation
Respondents	5	1	7	22	8.53	5.154

NB: Values in years

Source: Research Data (2015)

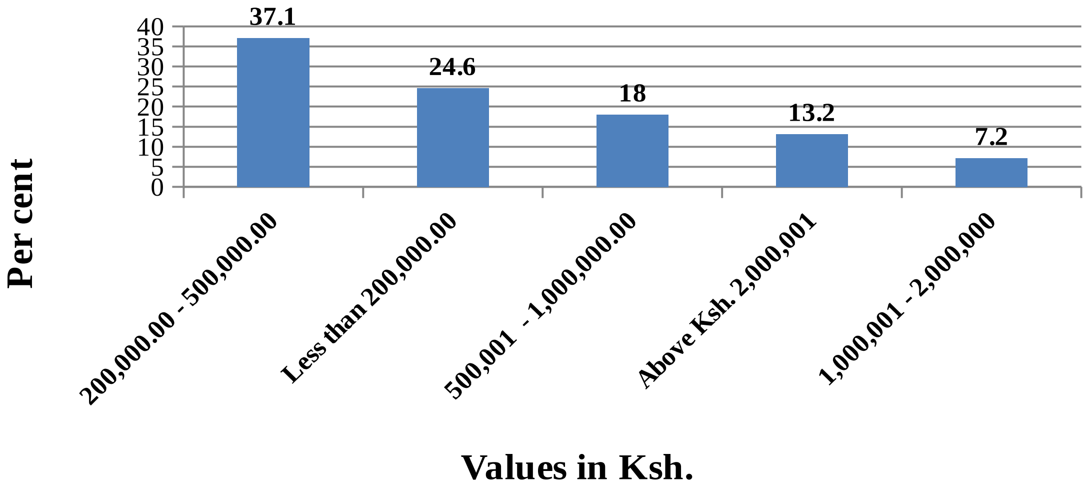
The findings above shows that the most experienced SME entrepreneur had operated for 22 years while the least experienced had one (1) year. The average experience was 8.55 years while most of the entrepreneurs had and experience of five years. These findings imply that the MSEs operators have adequate experience of understanding the dynamics of their business in terms of financing, marketing, training among others.

4.3.6 Current stock

The study sought to establish the current stock levels. This was important in order to assess the financial capital investment. According to a Nahamya, et al., (2013) most MSEs do not grow fast enough dues to low capital investments attributed to lack of credit. The study findings are as presented Figure 1.

FIGURE 2

Current Stock Levels



Source: Research Data (2015)

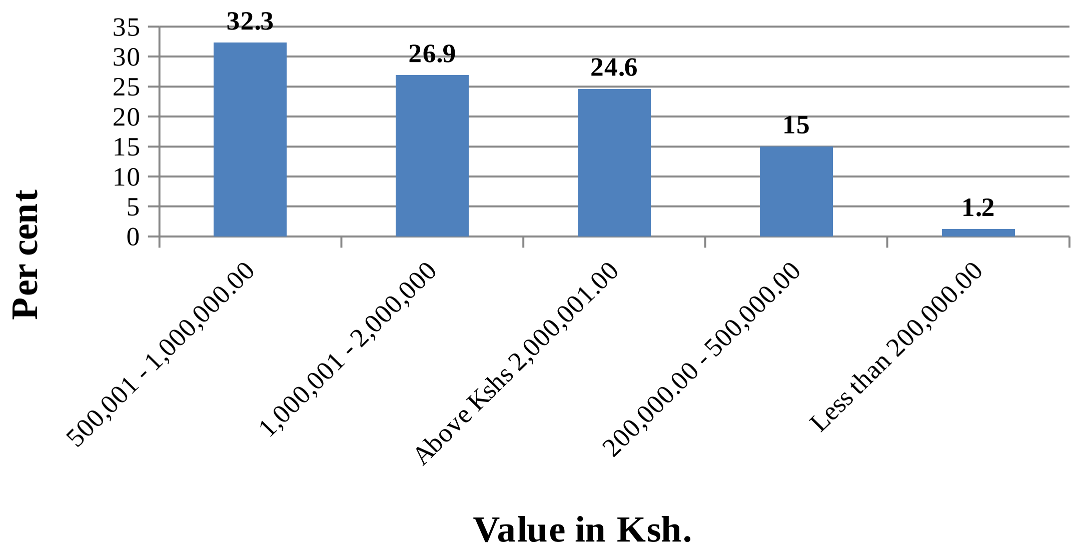
As presented in Figure 1 above, about 37.1% of the MSEs had a stock of between Ksh. 200,000.00 and 500,000.00 while the least stock of about 7.2% was Ksh. 1000,000.00 and 2000,000.00. These findings imply that majority (86.8%) of the MSEs are operating a stock levels below Ksh. 2 million an indicators of small businesses in terms capital investment.

4.3.7 Annual Sales Turnover

The study sought to establish the annual sales turnover levels. The study findings are as presented Figure 2.

FIGURE 3

Annual Sales Turn Over



Source: Research Data (2015)

The study findings in Figure 2, shows that 32.3% of the MSEs had an annual turnover of between Ksh. 500,001.00 and 1000,000.00 while the least had about 1.2% of less than Ksh. 2000,000.00. These findings imply that majority (75.4%) of the MSEs had a turnover of below Ksh. 2 million.

4.4 Micro Finance Saving Services

Micro finance institutions have been hailed all over the world as the major contributors of credit finances of initiating and development of MSEs.Nahamya, et al., (2013) in a study in Uganda underscored the major role micro finance service delivery play on the growth of MSEs. The study found that the types and flexibility of the saving regime determine the success of many micro finances and their contribution to MSEs performance.

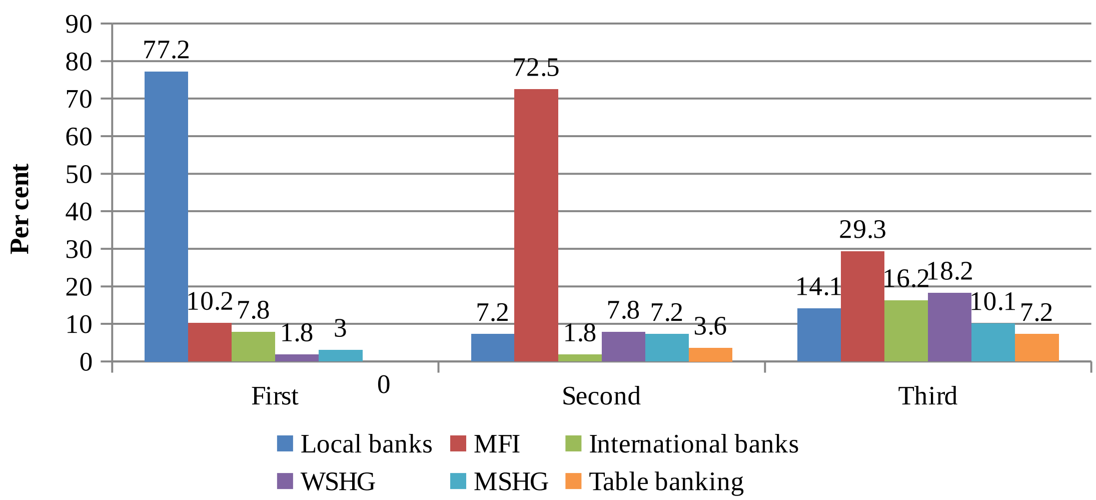
Lack of availability of cheap finances from money lenders and stringent conditions have led to many entrepreneurs to seek the services of MFIs. Saving services are one product offered by MFI. This section explores the effect on micro finance saving services on the performance of MSEs in Kariobangi Light Industries.

4.4.1 Preferred Saving Institution

The study found it prudent to establish the institutions where the respondents save their sales proceeds. This was important in order to establish the types of institutions and respondents preferences. This was done by asking respondents to rank their preferred saving institution. The findings are presented in Figure 3.

FIGURE 4

Preferred Saving Institution



Source: Research Data (2015)

Key: MFI- Micro Finance Institutions**, WSHG –** Women Self Help Group**, MSHG**Men Self Help Group.

The study findings in Figure 3 above shows that majority (77.2%) of the respondents prefer to save with the local banks as the first preference while 72.5% and 29.3% preferred MFI as second and third preference respectively. The findings above imply that local bank have an upper hand over the other institutions as source of financial services.

This may be attributed to aggressive marketing exhibited by local banks in the last 10 years since the year 2002 when the banking industry was highly liberalised (Chiteli , 2013). The liberalisation resulted in many local banks reaching the un-banked SMES operators in urban and rural Kenya thus becoming the first banks of choice.

Though MFI have not fared well as the first choice cumulatively it has done well for the second and third preference. This implies that MFI has a big role to play in the growth of MSEs in Kenya. Of worth to note is the entry of self-help groups in the business of MSEs in Kariobangi Light Industry. The reason why MFI may not be faring well as the first choice banking institution can be attributed to challenges of raising large amount of loans at short notice. These observations is in agreement with the findings of Osoro and Muturi (2013) who found that MFI are usually faced with challenges of raising enough cash as applied due to large number of loan applications.

4.4.2 Micro Finance Saving Services

The respondents were asked to indicate their views on the services offered by Micro Finance Institution (MFI) they save with. Information regarding the services was collected using a five (5) Liker Type data instruments. According to Boone and Boone (2012) mode or medium cetral tendency descriptive statitics is applicable for analsing this type of data. In this analysis mode used as the primary focal point for discussions of the findings for this Likert data types. The findings are as presented in Table 9.

TABLE 9

Micro Finance Saving Services

MFI saving services	N	Mode
My MFI encourages me to make regular savings	167	4
I find it convenient and easy to make deposits into my MF account	167	4
My MFI does not charge ledger fees on my account	167	4
My savings earn good interest in my MFI	167	2
I make regular deposits into my MFI account	167	4

Source: Research Data (2015)

Key: 1- Strongly Disagree, 2-Disagree, 3- Neutral 4- Agree, 5- Strongly Agree

The findings in Table 9 above shows that the respondents agrees (Mode ≈ 4) that MFI saving services encourage regular saving, are convenience and easy to operate, does not charge ledger fees and they make regular deposits. These findings show that MFI operate in a freer environment. This can be attributed to their nature of operations where they operate without intention of making large profits so longer they meet the operation costs. This means that they may be popular with entrepreneurs who are not interested with large loans. These findings agree with Brau and Woller (2004) who argued that MFI are easily approachable and their services are friedly to business startups though they surfer from finacial stability in the long run.

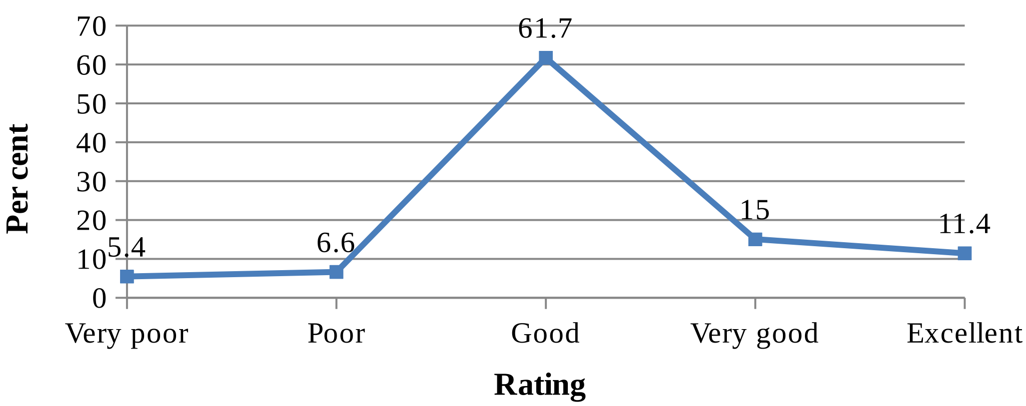
The study also found the respondents were of the contrary opinion (Mode ≈ 2) that MFI accounts generate good interest from their savings. According to Okibo and Makanga (2014) MFI are meant to provide cheap credit as opposed to commercial banks. The result above may explain why majority of the respondents prefer commercial banks due to high interests accrued from their savings.

4.4.3 Performance Rating of Micro Finance Saving Services

The respondents were asked to rate the MFI services offered. This was necessary in order to establish the effect of MFI saving services on the performance MSEs in Kariobangi Light Industries. The findings are presented in Figure 4.

FIGURE 5

Rating of Micro Finance Saving Services



Source: Research Data (2015)

As presented in above majority (61.7%) the respondents rated the saving services with MFI as good as compared to 5.4% who rated very poor.

These results are impressive despite of the MFI coming second in the rank preference choice of saving. These findings can be attributed to lack of stringent requirement for accessing services with MFI. These revelations concurs with the findings of Quaye and Sarbah (2014) who found that Non-Bank Financial Institutions in Ghana were becoming popular source of credit for MSEs due to lack of strict financial regulations.

A Chi square test was conducted to test the role MFI saving services on performance of MSEs in Kariobangi Light Industry. To calculate this test, the performance score was categorised as poor and good. This was done by adding the score for very poor and for poor to form one score category namely poor. The score for good, very good and excellent were combined to form a good score. The generated Chi-square statistic is 18.866. The p-value is 0.000. The result is significant at $p < 0.05$ that is there was no statistical difference. These results are indicators that MFI saving services have influenced positively the performance of MSEs in Kariobangi Light Industries.

Linear regression was generated to determine the relationship between independent variable and influence of MFI loan services on performance of MSEs (dependent variable). Table 10 presents the linear regression results statistics.

TABLE 10

Relationship between independent saving services and MSE performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.514[a]	.264	.242	.803

Source: Research Data (2015)

Key: (a). Predictors: (Constant, independent variables): MFI allow regular deposits,MFI encourages regular savings, MFI make it convenient and easy to deposits into members account, MFI savings earn good interest and MFI does not charge ledger fees on members account **(b). Dependent Variable:**MFIssaving services rating.

The study findings in Table 10 shows that 51.4% (R, 0.514) variation on the MFI training services on MSE performance. These variation on the dependent variable is large (51.4%) which implies that MFI savin services have influenced positively performance of MSEs in Kariobangi Industries.

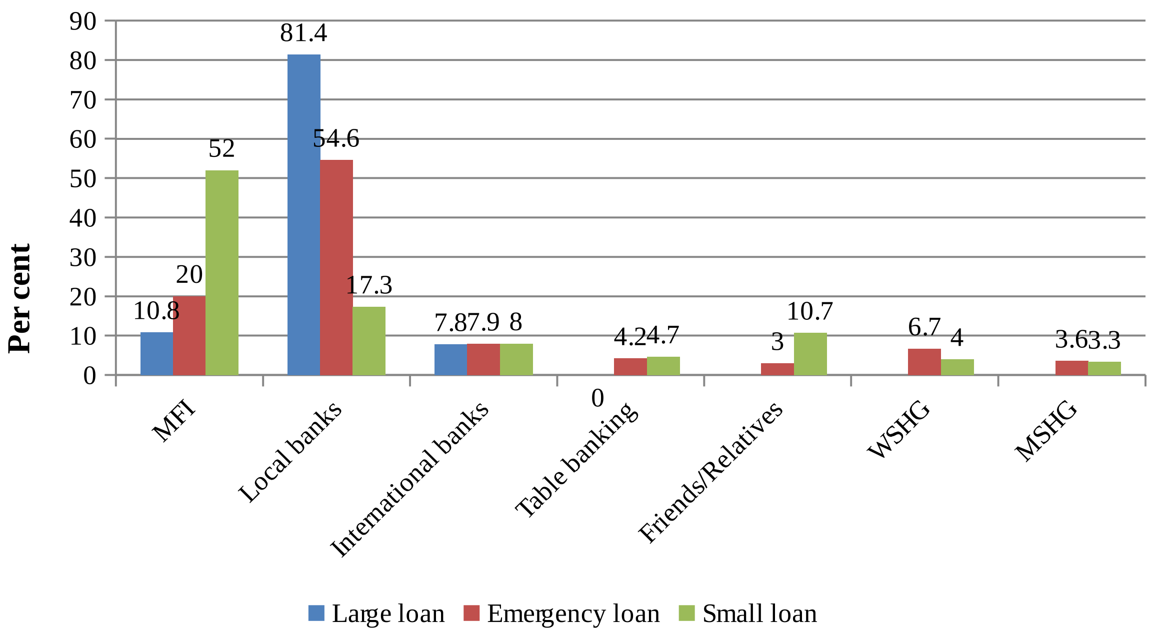
4.5 Micro Finance Loans Services

4.5.1 Preferred source of loan

The study sought to know where the respondents borrow loans from. This was important in order to establish which institutions are mostly preferred. The study findings are as presented in Figure 5.

FIGURE 6

Preferred Source of Loan



Source: Research Data (2015)

Key: MFI- Micro Finance Institutions**, WSHG –** Women Self Help Group**, MSHG**Men Self Help Group.

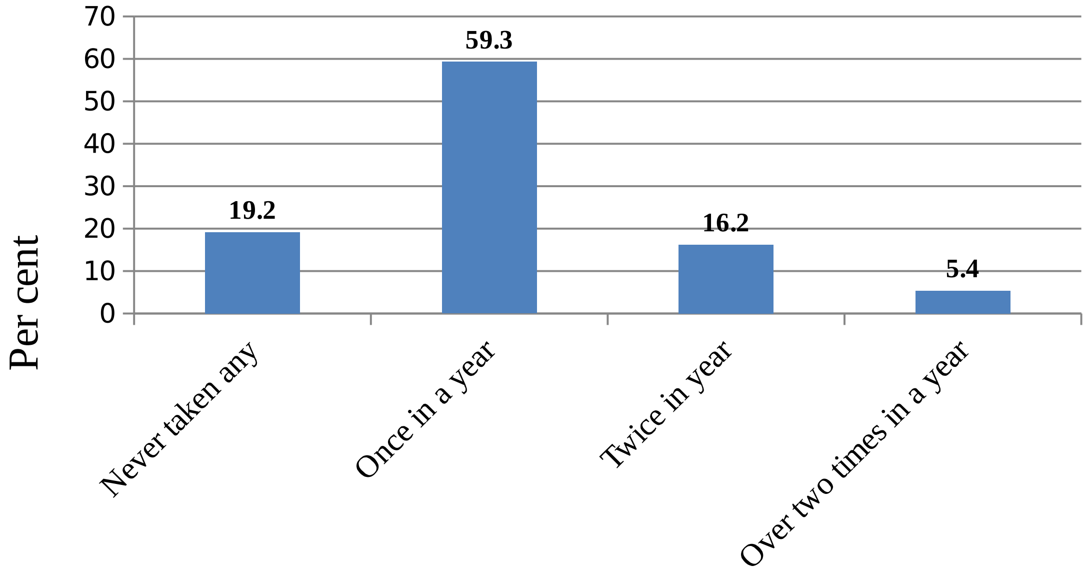
The study findings in Figure 5 above reveal that majority (81.4%) and 54.6% of the respondents prefer taking large loans and emergency loans from local banks respectively while 52% would take small loans from MFI. These findings imply that SME operators have preference for local banks for large and emergency loans. This can be attributed to favourable lending rates such as flexible payment agreement and availability of large loans which may not be available in MFIs.

4.5.2 Frequency of Borrowing Loans from MFIs

The study sought to know how often the respondent borrows loans from MFI. The study findings are as presented in Figure 6.

FIGURE 7

Types of Loan Borrowing



Source: Research Data (2015)

As presented in Figure 6 above majority (59.3%) of the respondents had taken loans from the MFI once in a year, 16.2% twice and 5.4% had taken over two times within a year period. About 19.2% had never taken a loan from MFI. The findings shows that the number of respondents who take loans from MFI more than once is low compared to those who takes once. The study also established that majority (80.8%) of the respondents had taken a loan from MFI despite of the majority (81.4%) preferring to take loans from local commercial banks. These revelations confirm that MFI are very important as source of cheap loans.

4.5.3 Micro Finance Loan Services

The respondents were asked to indicate their views on the loan services offered by MFI they borrow loans from. Information regarding the loaning services was solicited using a five (5) Liker type data instruments. Mode as a measure of cetral tendency descriptive statitics was used to analse primary data colected using Likert instruments. In this study mode measure of central tendency was used as the primary focal point for discussions of the study findings. The findings are as presented in Table 11.

TABLE 11

Loan Services offered by MFI

Loan services	N	Mode
Getting a business loan from microfinance does not involved lengthy procedure	167	4
The business loan application process is easy to understand and follow	167	4
Loan applied for from microfinance institution are always granted	167	4
Small loans to meet temporary business shortfalls are promptly granted	167	4
Loan money has helped in making my business grow	167	4

Source: Research Data (2015)

Key: 1- Strongly Disagree, 2-Disagree, 3- Neutral 4- Agree, 5- Strongly Agree

The findings in Table 11 above shows that the respondents agrees (Mode ≈ 4) that MFI have a short process of getting loans, the application process is easy to understand and follow. The statistics also shows that MFI loans are always granted, small emergency loans are promptly grated and loans grated have helped to SME business. The findings above are confirmations that MFI offer friendly loan services that make loans readily available to SME entrepreneurs.

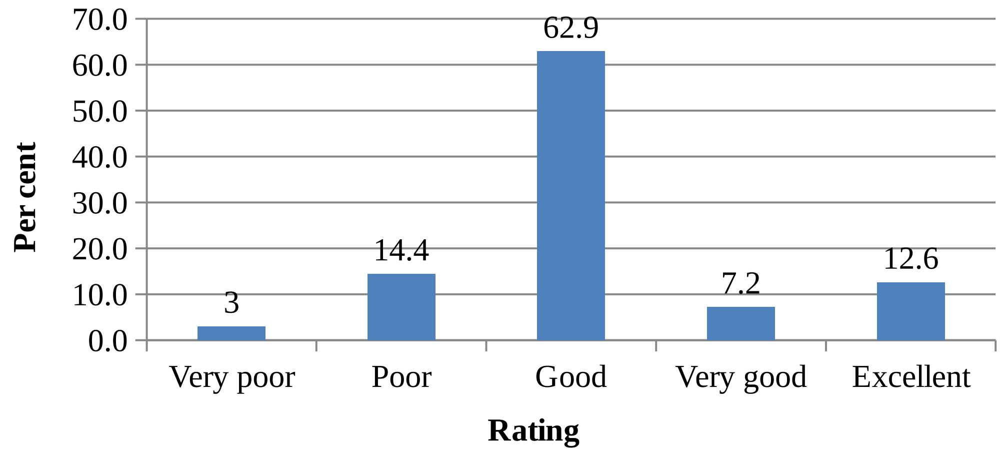
The above revelations are in line with study findings on many authors. For instance Anan, Cobbinah and Manu (2013) is study in Ghana noted that MFI provide cheap credit without much strict regulation to many un-banked rural small and medium enterorises. A report of FAO (2011) underscored the important role played by MFI in providing reliable credit to business women in rural areas. These obseravtions confirms that MFI will continue to play its rightfull role of providing cheap and readily available credit to upcoming MSEs.

4.5.4 Effect of Micro Finance Loan Services on Performance of MSEs

The respondents were asked to rate the MFI loan services offered. This was necessary in order to establish the effect of loan services on the performance of Kariobangi Light different MSEs. The findings are as presented in Figure 7.

FIGURE 8

Effect of Micro Finance Loan Services on Performance of MSEs



Source: Research Data (2015)

Study results presented in Figure 7, above its cleat that majority (62.9%) the respondents rated the MFI saving services contribution to the performance of Kariobangi Light Industries MSEs as good compared to 3.0% who rated its contribution very poor. These results are inspiring despite of the respondents preferring to seek to a large extent from MFI. These findings can be attributed to lack of stringent requirement for accessing loan services from MFI. These revelations concur with the findings of Nahamya, et al. (2013)who found that MFI have contributed emmensely on the establishment and growth of MSEs in developing African countries Ugada included.

A Chi square test was conducted to test the role MFI loan services on performance of Kariobangi Light Industry MSEs. Performance score was categorised as poor and good. This was obtained by adding the score for very poor and for poor to form one score category namely poor. The score for good, very good and excellent were combined to form a good score. The generated Chi-square statistic is 4.2878. The p-value is 0.368. The result is significant at $p > 0.05$ that is there is no statistical difference. These results are indicators that MFI loan services have influenced positively the performance of MSEs in Kariobangi Light Industries.

Linear regression was generated to determine the relationship between independent variables and influence of MFI loan services on performance of MSEs (dependent variable). Table 12 presents the linear regression results statistics.

TABLE 12

Relationship between independent loan services and MSE performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.589[a]	.347	.327	.747

Source: Research Data (2015)

Key: (a). Predictors: (Constant, independent variables): Loan money has helped in making my business grow, Getting a business loan from microfinance does not involved lengthy procedure, Loan applied for from MFI are always granted, The business loan application process is easy to understand and follow and small loans that meet temporary business shortfalls are promptly granted**(b). Dependent Variable:**MFIsloan services rating.

The study findings in Table 12 shows that 58.9.0% (R, 0.589) variation on the MFI training services on MSE performance. These variation on the dependent variable is large (58.9%) which implies that MFI loan services have influenced positively performance of MSEs in Kariobangi Industries.

4.6 Micro Finance Training Services

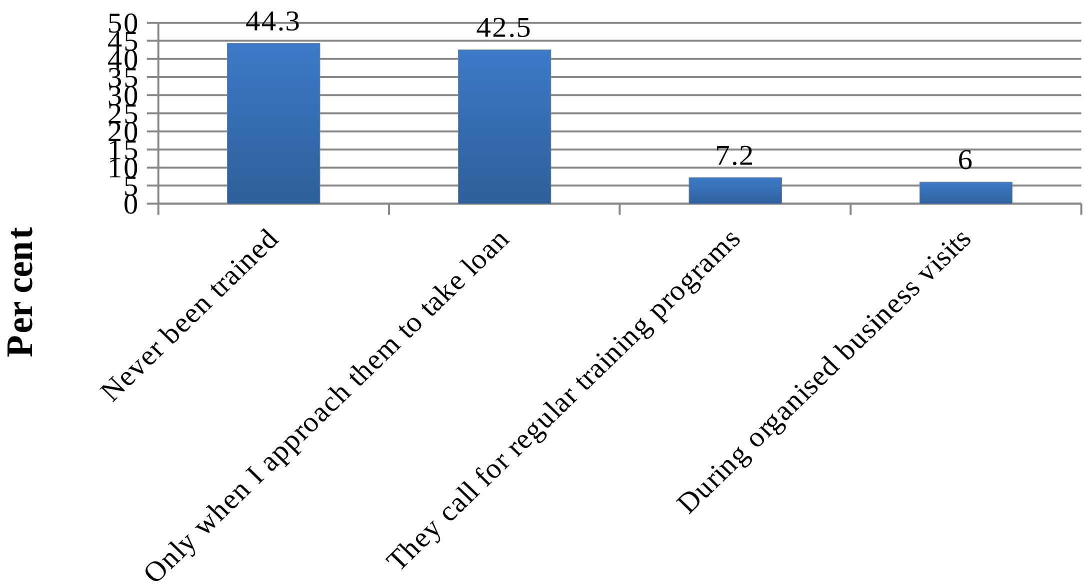
Training components is a critical that has been used to ensure uptake, proper and efficient utilisation of credit advanced by MFI. Failure to train MFI loan beneficiaries have been attributed to high defaulting rates and potential customers not seeking MFI services. This section presents the study findings on the effects of MFI training services on MSEs performance.

4.6.1 Training on Micro Finance Services

The study sought to establish when MFI trainings are conducted. This was important in order to assess how regular the training services are offered to the MSEs customers. The findings are as presented in Figure 8

FIGURE 9

Training on Micro Finance Services



Source: Research Data (2015)

The study findings above shows that 44.3% of the respondents have never been trained, 42.5% indicated they are trained whenever they seek loans, 7.2% indicated that MFI conduct regular trainings while 6.0% they are trained at their business premises when they are visited. The study findings imply that training is not a requirement to apply and be granted a loan from MFI. This so because of larger number (44.3%) of the respondents who were not trained though they get loans from MFI. These revelations can be attributed to competition of the many MFI who are competing to bring a bigger number of customers thus disregarding the crucial training components.

4.6.2 Effects of Micro Finance Training Services on performance MSEs

The respondents were asked to indicate their views on micro finance training services on MSEs. This was necessary in order to determine the effects of MFI training services on the performance of MSEs. Information regarding the loaning services was solicited using a five (5) Liker type data instruments.

Mode as a measure of central tendency descriptive statistics was used to analyse primary data collected using Likert instruments. Discussion of the research findings employed the mode descriptive statistics to discuss the study findings. The findings are as presented in Table 13.

TABLE 13

Effects of Micro Finance Training Services on performance MSEs

Training services	N	Mode
Microfinance institutions aggressively	167	4

give information of their services which are beneficial to micro and small businesses		
Training by microfinance institutions has enabled me to maintain a record of my business transactions	167	2
Microfinance institutions trains on how to effectively communicate with customers and has helped me to retain customers	167	2
Microfinance institutions has trained me on how to utilize the loan money	167	2

Source: Research Data (2015)

Key:1- Strongly Disagree, 2-Disagree, 3- Neutral 4- Agree, 5- Strongly Agree

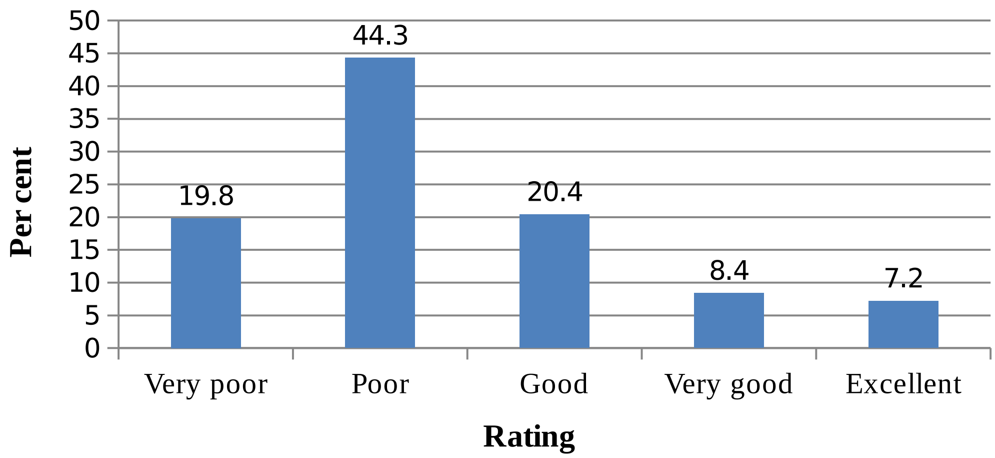
The findings in Table 13 above shows that the respondents agrees (Mode ≈ 4) that MFI aggressively market on the benefits their services to MSEs. The study found that the respondents disagreed (Mode ≈ 2) that MFI provide training on record keeping, on how to communicate with customers and how to utilize loans granted. The above findings reveal that the MFI are only keen on marketing their services possibly to increase their clientele with no regard to training them. The lack of training on crucial areas like utilization of funds can be attributed to non-availability of the MSEs operators as most of them complains that training conducted by MFI are time consuming and irrelevant. The above revelations are in line with the report by Ernst & Young Global Limited of 2014 which found that MFIs lack transparency on their documentation on finance and customer information.

4.6.3 Rating of Micro Finance Training Services

The respondents were asked to rate the effect of MFI training services. This was necessary in order to establish the effect of training services on the performance of MSEs in Kariobangi Light Industries. The findings are as presented in Figure 9.

FIGURE 10

Effect of Micro Finance Training Services on Performance of MSEs



Source: Research Data (2015)

The study analysis presented in Figure 9, above 44.3% of the respondents rated the MFI training services contribution to the performance of Kariobangi Light Industries MSEs as poor as compared to 7.2% who rated its contribution excellent. These results are discouraging since training is an important component of sustaining MFI operations. These findings can be attributed to the fact it’s not mandatory for one to be trained for one to apply for loans. These revelations concur with the findings of Mwobobia (2012)who found that MFI have contributed emmensely on the establishment and growth of MSEs in Kenya.

A Chi square test was conducted to test the role MFI training services on performance of Kariobangi Light Industry MSEs. Performance score was categorised as poor and good. This was obtained by adding the score for very poor and for poor to form one score category namely poor. The score for good, very good and excellent were combined to form a good score. The generated Chi-square statistic is 2.7679. The p-value is 0.597. The result is significant at $p > 0.05$ that is there is no statistical difference. These results are indicators that MFI training services have not influenced positively the performance of MSEs in Kariobangi Light Industries.

Linear regression was generated to determine the relationship between independent variables and influence of MFI training services on performance of MSEs (dependent variable). Table 14 presents the linear regression results statistics.

TABLE 14

Relationship between independent training services and MSE performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.336[a]	.113	.091	1.061

Source: Research Data (2015)

Key: (a). Predictors: (Constant, independent variables):MFIsadvise me on how to utilize the loan money, MFIs trains how to effectively communicate with customers and has helped in retaining customers, Microfinance institutions aggressively give information of their services which are beneficial to MSEs, and training by MFIs has enabled maintenanceof business record and transactions. **(b). Dependent Variable:**MFIstraining services rating.

The study findings in Table 14 shows that 33.6% (R, 0.336) variation on the MFI training services on MSE performance. These variation is small which implies that MFI training does not influence positively performance of MSEs in Kariobangi Industries. These findings confirms the findings of these study in Figure 9 above.

4.6.4 MSEsChallengeswith Micro Finance Services

The study asked the respondents to indicate the challages they face while seeking the services of MFIs. This was necessary in order to establish the nature of challenges. The findings are disaggregated into three categories, saving, loan and training challenges as tabulated in Table 15.

TABLE 15

Challenges Facing Micro Finance Services

Saving Services Challenges	**Responses Count**	**Per cent**	**Per cent of Cases**
Low interest rates	139	60.2	83.7
Lack of proper records on savings (Poor administration of client information)	48	20.8	28.9
Lack of diversified saving products	44	19.0	26.5
Total	**231**	**100.0**	**139.2**
Loan Services Challenges			
Takes a lot of time (red tape) to grant loans	146	54.9	87.4
Inadequate information on the loans facilities	66	24.8	39.5
Amount of loans available is little than expected	54	20.3	32.3
Total	**266**	**100.0**	**159.3**

Training Services Challenges			
Training are time consuming and training not available when needed	127	40.3	76.0
Lack of a well-coordinated need based training programs	109	34.6	65.3
Lack of proper and sufficient information on training	79	25.1	47.3
Total	**315**	**100.0**	**188.6**

Source: Research Data (2015)

NB: *Data was analysed from multiple responses within cases*

The analysed in Table 15 above shows that MSEs operators face a number of challenges while seeking services from MFI. The major challenge under the saving category includes; low interest rates (60.2%), poor administration of customer information (20.8%) and lack of diversified saving products. This findings means that MFI may not be attractive to already established MSEs who are in need of large financial capital and different saving products. This could explain the reason why most of the MSEs prefer to deal with commercial banks which normally have superior loan capacity and wide range of saving products.

The study result above shows majority (54.9%) of the respondents indicated that MFI loans take a long time to be granted. They also indicated that there is insufficient information regarding the loan facilities and the amount of loans granted is normally little than expected. These revelations may explain the reason MSEs may not prefer MFI as the first choice for seeking credit especially for well-established MSEs. However for start-up MSEs and the ones with low stock levels may still prefer to seek credit from

MFIs. This is attested by the observation of King and McGrath, 2002) who noted that MFI remains the best alternative for MSEs during their infancy stage since they provide unsecured credit facilities.

On training services challenges the study found that 40.3% were of the opinion that training consumes their time since it takes a lot of their time and are when these training are needed they are not available. The study also established that the training are not well coordinated, lack specificity, lack enough information and are not properly conducted. These findings may explain why most of the MSEs as they mature move away from seeking financial assistance from MFI. These revelations are supported by the findings of Osoro and Muturi (2013) who argued that the MSEs moves away from the start up stages the need of trainings diminishes because they become busy thus lacking time to attend such trainings.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter discusses the summary, conclusion and recommendation on the effects of services offered by Micro Finance Institutions on performance of Micro and Small Enterprises in Kariobangi Light Industries. The chapter also offers other areas for future research.

5.1 Summary of the Major Study Findings

The summary of this study is discussed under the themes of the specific objectives of the study.

5.1.1 Effect of Micro Finance Institutions saving services on the performance of MSEs in Kariobangi Light Industry.

What emerged from the study is that 77.2% of the MSEs operators prefer to save with local commercial banks as opposed to 10.2%. The study also established that 72.5% of the MSEs operators prefer MFI as the second saving institution and about 29.3% for the third preference. It also emerged from the study that majority (Mode ≈ 4) confirmed that MFI saving services in the area of ensuring regular savings, convenience of operating MFI account, lack of ledger fees charges and regular deposits was customer friendly.

However the MSEs operators faulted lack of good interest on MFI savings as one of the poor services offered. Overall the MSEs operators rated “good” (61.7%) the influence of MFI saving services on the performance of MSEs in Kariobangi Light Industries. A Chi-Square test returned of a p=0.000

was a confirmation that MFI saving services have influenced positively the performance of MSEs in Kariobangi Light Industries.

The above major findings show that MFI plays a critical role in the growth of MSEs by providing cheap loans without subjecting the customers to strict conditions. Kisaka and Mwewa(2014) agree that micro-credit, micro-savings and training jointly contribute positively to MSEs' growth and performance. The lack of good interest from their savings may be the reason the MSEs operators prefer to save with commercial banks which offer friendly interests against their savings.

The principle of MFIs operations is that the customer must save certain amount of money for one to qualify for a loan. This sometimes keeps off well established MSEs from seeking loans from MFI since they can get a loan from banks using their assets together with strength of the account transaction history.

5.1.1 Effect of Micro Finance Institutions loan services on the performance of Micro and Small Enterprises in Kariobangi Light Industry.

It emerged from the study findings that 81.4% of the MSEs operators prefer to seek financial loans from local commercial banks as opposed to 20.00% who prefer to take from MFIs. This observation is in agreement with the findings of Muiruri(2014) who in a study on the role of MFIs on the growth of MSEs in Thika found that MFI loand came second at 38.6% as compared to other sources. This was attributed to high defaulting rates and availability of alternative sources of credits. It also emerged that majority (80.8%) of the MSEs operators had taken loan from MFI. The study overwhelmingly confirmed that the respondents liked the loan services offered by MFI as they analysis returned a positive verdict (Mode ≈ 4).

Largely the respondents rated “good” (62.7%) the influence of MFI loan services on the performance of MSEs in Kariobangi Light Industries. A Chi-Square test returned of a p=0.368 was a confirmation that MFI saving services have influenced positively the performance of MSEs in Kariobangi Light Industries.

The above major findings show that although the majority of the MSEs operators prefer to take loans from the commercial banks as the first priority, they have a likeness of the loan services offered by MFIs. This explains MSEs operators rated good the contribution of MFI on the performance of MSEs in area of study. These could be attributed to it accommodates young entrepreneurs who might not afford to take credit from commercial banks. The ability to borrow without collateral makes MFI attractive making them first choice institution for borrowing small loans. The requirement for MFI that one must be guaranteed by another member for one to be granted a loan may be hindering some members from taking credit since some may fail to meet this requirement.

This requirement could explain why mature MSEs may prefer to go it alone and risk taking credit from commercial banks or from self-help groups. Ernest and Young a worldwide reputable audit firm in the course of consulting

MFIs and has identified lack of transparency among the MFIsas one of the challenges delving MFIs. These may pose a threat to MFI if MSEs have had experience of their records missing as was established in this study. This kind of experiences explains why some MSEs operators rated poorly the contribution of loan services to the performance MSEs in Kariobangi Light Industries.

A report by Dondo (2007) presented to UNEP noted that MFIs in Kenya are very expensive as compared to their counterparts in Asia. The report found that due to their poor saving and credit services majority of MSEs have resulted to alternative source of credit like Savings and Credit Cooperatives (SACCO’S) which are offering competitive credit facilities. This report explain why MFIs are facing competition from other financial institutions and being relegated to second position offering largely small loans.

5.1.3 Effect of Micro Finance Institutions training services on the performance of Micro and Small Enterprises in Kariobangi Light Industry.

The study found that 44.3% of the respondents were not trained though they had taken a loan from MFIs. It also emerged that the highest number of the respondents trained only once was 42.5% score. It emerged from the study that to a large extent the training services offered by MFI did not impact positively to the performance of MSEs in Kariobangi Light Industries. The MFI training services only performed well (Mode ≈ 4) on marketing of their services but performed poorly (Mode ≈ 2) other services like keeping good customer records, training maintenance of customer base and financial management.

Dismally the respondents rated “Poor” (44.3%) the influence of MFI loan services on the performance of MSEs in Kariobangi Light Industries. A Chi-Square test returned of a p=0.597 was a confirmation that MFI saving services had not influenced positively the performance of MSEs in Kariobangi Light Industries.

The study findings above paint a gloomy picture on the MFIs training services. Kisaka and Mwewa (2014) noted that MFI saving services have positively influenced positively to the growth and performance MSEs in Kenya. However, the same authors (Kisaka et al. 2014) argued that the training conducted by MFI does not address the material needs of MSEs which have led to many MSEs especially the mature and well established one to shun MFI services.

Training on what the MFI can offer help to disseminate information that attract customers and in so doing increase confidence. Lack of proper training programmes leads to information asymmetry which leads to lack confidence and results in low saving with MFIs. In a study in Ghana, Quaye et al. (2014) found that lack of elaborate training of SMEs operators by MFIson proper business practices has led to low uptake of MFI credit. This explains why the MSEsoperators rated poor the contribution of MFI training services on the performance of MSEs in Kariobangi Light industries. The MFIs need to conduct a training needs assessment in order to establish what kind training is suitable for MSEs.

5.2 Discussion

5.2.1 Effect of Micro Finance Institutions saving services on the performance of MSEs in Kariobangi Light Industry.

The findings of this study regarding MFIs saving services on the performance of MSEs agreeswith those of Kisaka and Mwewa (2014) who found that micro-credit and micro-savings contribute positively to MSEs' growth and performance. Also Ishengoma and Kappel (2011) established that access to safe and flexible savings services can play a critical role in poor people's strategies for minimizing risks, mitigating income fluctuations, facing unexpected expenditures and emergencies which have helped the MSEs to grow.

The lack of good interest from their savings may be the reason the MSEs operators prefer to save with commercial banks which offer friendly interests against their savings. The principle of MFIs operations is that the customer must save certain amount of money for one to qualify for a loan. This sometimes keeps off well established MSEs from seeking loans from MFI since they can get a loan from banks using their assets together with strength of the account transaction history.

5.2.2 Effect of Micro Finance Institutions loan services on the performance of Micro and Small Enterprises in Kariobangi Light Industry.

The overall findings found the MFI loan services have contributed positively on the performance of MSEs in Kariobangi Light industries. The above major findings show that although the majority of the MSEs operators prefer to take loans from the commercial banks as the first priority, they have a likeness of the loan services offered by MFIs. This explains MSEs operators rated good the contribution of MFI on the performance of MSEs in area of study. These could be attributed to it accommodates young entrepreneurs who might not afford to take credit from commercial banks.

The ability to borrow without collateral makes MFI attractive making them first choice institution for borrowing small loans. The requirement for MFI that one must be guaranteed by another member for one to be granted a loan may be hindering some members from taking credit since some may fail to meet this requirement. This requirement could explain why mature MSEs may prefer to go it alone and risk taking credit from commercial banks or from self-help groups. Ernest and Young a worldwide reputable audit firm in the course of consulting MFIs and has identified lack of transparency among the MFIs as one of the challenges delving MFIs. These may pose a threat to MFI if MSEs have had experience of their records missing as was established in this study. This kind of experiences explains why some MSEs operators rated poorly the contribution of loan services to the performance MSEs in Kariobangi Light Industries.

This observation is in agreement with the findings of Muiruri (2014) who in a study on the role of MFIs on the growth of MSEs in Thika found that MFI loancame second as compared to other sources. This was attributed to high defaulting rates and availability of alternative sources of credits.

A report by Dondo (2007) presented to UNEP noted that MFIs in Kenya are very expensive as compared to their counterparts in Asia. The report found that due to their poor saving and credit services majority of MSEs have resulted to alternative source of credit like Savings and Credit Cooperatives (SACCO'S) which are offering competitive credit facilities. This report explain why MFIs are facing competition from other financial institutions and being relegated to second position offering largely small loans.

5.2.3 Effect of Micro Finance Institutions training services on the performance of Micro and Small Enterprises in Kariobangi Light Industry.

The study findings above paint a gloomy picture on the MFIs training services. Kisaka and Mwewa (2014) noted that MFI saving services have positively influenced positively to the growth and performance MSEs in

Kenya. However, the same authors (Kisaka et al. 2014) argued that the training conducted by MFI does not address the material needs of MSEs which have led to many MSEs especially the mature and well established one to shun MFI services.

Training on what the MFI can offer help to disseminate information that attract customers and in so doing increase confidence. Lack of proper training programmes leads to information asymmetry which leads to lack confidence and results in low saving with MFIs. In a study in Ghana, Quaye et al. (2014) found that lack of elaborate training of SMEs operators by MFIs on proper business practices has led to low uptake of MFI credit. This explains why the MSEs operators rated poor the contribution of MFI training services on the performance of MSEs in Kariobangi Light industries. However, the training conducted by MFI does not address the real needs of MSEs which has led to many MSEs shunning MFI services. The MFIs need to conduct a training needs assessment in order to establish what kind training is suitable for MSEs.

5.3 Conclusion of the Study

The objective of this research was to assess the effect of microfinance institutions on the performance of micro and small enterprises in the manufacturing industry. It can be concluded from this research that MFI saving and loan services have done well in influencing positive performance of MSEs while the training services have not. Though, the MFI seem to have lost as number one source of MSEs funding it is still plays critical role of providing credit to SMES especially the upcoming ones. However due to challenges of providing favourable services like proper training, variety of saving products, in adequate amount of loans the MFI services and competition from local commercial banks among others the MFI should look for ways of addressing these shortcomings.

5.4 Recommendations

The study recommneds that the the Kenya Government and SME stakeholders should address the following among others to improve the services of MFI.

a) The study found that MSEs operators dislike attending training since felt it takes much of their time. To address this challenge there is need to develop a national curriculum for training MSEs operators focusing on different groups of customers depending on the stages of maturity of MSEs. A curriculum should have different components targeting young and mature MSEs.

b) Diversify the saving products offered by MFI to include products like insurance, buying of shares among other so as to retain the customers. These will go along to address the challenge of some MFIs have limited products. A variety of products may attract customers and in turn make MFI first choice source of credit and make them competitive.

c) The MFI need to improve their timely disbursements of loans to avoid frustration and running to other sources of credit which might be expensive in the long run.

d) The government should ensure the MFI comply with MFI Act of 2014 since it with proper implementation some the challenges facing MFIs will be addressed.

5.5 Recommendation for Further Research

The following areas may require further research;

a) Investigate the extent of the contribution of family and friends source of funds on the growth of Micro and Small Enterprises in Kariobangi Light Industries.

b) Investigate why mature Micro and Small Enterprises in Kariobangi Light Industries are preferring to take loans from local commercial banks as opposed from Micro Finance Institutions and international commercial banks

c) Explore the poor performance of MFI training services on the growth of MSEs in Kariobangi Light Industries.

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APPENDICES

APPENDIX I

COVER LETTER

TO WHOM IT MAY CONCERN

This questionnaire has been prepared by Mrs. Lydia Chole, of P. O. Box 13128 -00100 Nairobi. I am undertaking a Master's Degree in Business management, in the School of Business and Public Management; KCA University. As partial fulfilment of the course requirement, I am carrying out a research to assess the effect of services offered by microfinance institutions (MFIs), on the performance of small and medium size enterprises (MSEs) in the manufacturing industry. The study focuses on manufacturing MSEs based at the Kariobangi Light Industry in Nairobi, Kenya.

This information is being sought in this questionnaire is solely for academic purposes and will be treated with absolute confidentiality.

Kindly answer the questions by ticking in the boxes provided. Your answers will help assess whether the savings, loan and training services offered by Microfinance Institutions are beneficial to Small and Medium Size Enterprises, thereby enabling them to boost their performance.

I request you to set aside five minutes of your time to complete this questionnaire. It will be collected a day after it has been given to you.

Your co-operation in this exercise will be highly appreciated.

Yours Sincerely

Lydia M. Chole

APPENDIX II

QUESTIONNAIRE FOR MSES

This questionnaire is meant to collect research data for Master's degree studies. You have been selected as one of the respondents for this study to assist me collect data on **Effect of services offered by microfinance institutions on performance of micro and small enterprises in Kariobangi light industry**. Kindly provide your honest responses on all the items in this questionnaire. Your identity will be treated with strict confidentiality.

Instructions

a) These questionnaires consists of **18 questions** printed on both sides of the papers
b) Tick (√) in the appropriate box and where applicable write your response on the spaces provided.

SECTION A: BACKGROUND INFORMATION

1. What is your position in this firm?
   i) Owner [ ]
   ii) Manager [ ]
   iii) Others (specify) ____________________________

2. Kindly indicate your gender [ ] Male [ ] Female

3. Kindly indicate your age group
   i) 18 - 20 years [ ]
   ii) 21 – 25 years [ ]
   iii) 26 – 30 years [ ]
   iv) 31 – 35 years [ ]
   v) 36 – 40 years [ ]
   vi) 41 – 45 years [ ]
   vii) 46 – 50 years [ ]
   viii) Above 51 years [ ]
4. What is your level of education?
   i) Not competed primary education [ ]
   ii) Kenya Certificate of Primary Education [ ]
   iii) Kenya Certificate of Secondary Education [ ]
   iv) Diploma or Certificate level [ ]
   v) Degree and above [ ]

vi) Others (specify) ______________________________

5. Which type of commodities does your business manufacture?
   i) Foodstuff [ ]
   ii) Electronics [ ]
   iii) Machinery equipment [ ]
   iv) Chemicals / Paints [ ]
   v) Furniture [ ]
   vi) Plastic / Rubber ware [ ]
   vii) Assorted metallic items [ ]
   viii) Other (specify) ________________________________
6. How long have you been in the manufacturing business if full years?

   ____

7. What is your current stock level?
   i) Less than Kshs. 200,000 [ ]
   ii) Between Kshs. 200,000 and 500,000 [ ]
   iii) Between Kshs. 500,001 and 1,000,000 [ ]
   iv) Between Kshs. 1,000,001 and 2,000,000 [ ]
   v) Above Kshs. 2,000,001 [ ]

8. What is your average annual sales level?
   i) Less than Kshs. 200,000 [ ]

   ii) Between Kshs. 200,000 and 500,000 [ ]
   iii) Between Kshs. 500,001 and 1,000,000 [ ]
   iv) Between Kshs. 1,000,001 and 2,000,000 [ ]
   v) Above Kshs. 2,000,001 [ ]

SECTION B: MICROFINANCE SAVINGS SERVICES

9. Which is your preferred banking/saving option?
   (a) First preference
   i) Microfinance organization (e.g. Faulu Kenya, KWFT,) [ ]
   ii) International banking organization (e.g. Barclays, Standard Chartered) [ ]
   iii) Local banking organization (e.g. Co-operative, National Bank, Equity, Family) [ ]
   iv) Table Banking [ ]
   v) Other (specify) …………………………………………………..
   (b) Second preference
   i) Microfinance organization (e.g. Faulu Kenya, KWFT,) [ ]
   ii) International banking organization (e.g. Barclays, Standard Chartered) [ ]
   iii) Local banking organization (e.g. Co-operative, National Bank, Equity, Family) [ ]

iv) Table Banking
[ ]
v) Other (specify) ………………………………………………….

(c) Third preference

i) Microfinance organization (e.g. Faulu Kenya, KWFT,)
[ ]
ii) International banking organization (e.g. Barclays, Standard Chartered)
[ ]
iii) Local banking organization (e.g. Co-operative, National Bank, Equity, Family)
[ ]
iv) Table Banking
[ ]
v) Other (specify) ………………………………………………….

10. Fill the table below on your opinion regarding the services you get from your preferred micro finance institution (MFI).

(Tick (√) in the appropriate box)

	To what extent do you either agree or disagree with the following?	**Strongly disagree**	**Disagree**	**Neutral**	**agree**	**Strongly Agree**
		1	2	3	4	5
a.	My MFI encourages me to make regular savings					
b.	I find it convenient and easy to make deposits into my account					
c.	My MFI does not charge ledger fees on my account					
d.	My savings earn good interest in my MFI					
e.	I make regular deposits into my MFI account					

11. How would you rate savings services offered by MFIs and performance of your firm?

i) Very poor [ ]
ii) Poor [ ]
iii) Good [ ]
iv) Very good [ ]
v) Excellent [ ]

SECTION C: MICROFINANCE LOAN SERVICES

12. Where do you borrow your loans

a) Large loans
i) Micro Finance Institutions [ ]
ii) Local banks [ ]
iii) International banks [ ]
iv) Table Banking [ ]
v) Women Self Help Groups [ ]
vi) Men Self Help Groups [ ]
vii) Friends/Relatives [ ]
viii) Others please indicate____

b) Emergency loans
i) Micro Finance Institutions [ ]
ii) Local banks [ ]
iii) International banks [ ]
iv) Table Banking [ ]

v) Women Self Help Groups [ ]
vi) Men Self Help Groups [ ]
vii) Friends/Relatives [ ]
viii) Others please indicate________________________________

c) Small loans
i) Micro Finance Institutions [ ]
ii) Local banks [ ]
iii) International banks [ ]
iv) Table Banking [ ]
v) Women Self Help Groups [ ]
vi) Men Self Help Groups [ ]
vii) Friends/Relatives [ ]
viii) Others please indicate________________________________

13. How often do you take loan from microfinance institutions?
i) Never taken any [ ]
ii) Once in a year [ ]
iii) Twice in a year [ ]
iv) Over two times in a year [ ]

14. Fill the table below on your opinion regarding the loan services you get from my bank
(Tick (√) in the appropriate box)

	To what extent do you either agree or disagree with the following?	**Strongly disagree**	**Disagree**	**Neutral**	**agree**	**Strongly Agree**
		1	2	3	4	5
a.	Getting a business loan from microfinance does not involve lengthy procedures					
b.	The businesses loan application process is easy to understand and follow					
c.	Loans applied for from microfinance institution, are always granted					
d.	Small loans to meet temporary business shortfalls are promptly granted					
e.	Loan money has helped in making my business grow					

15. How would you rate loan services offered by MFIs and performance of your firm?
i) Very poor [ ]
ii) Poor [ ]
iii) Good [ ]
iv) Very good [ ]

v) Excellent [ ]

PART D: MICROFINANCE TRAINING SERVICES

16. How often do you get training from microfinance institutions, on how to use their services such as savings and loans to improve your business?
    i) Never been trained [ ]
    ii) Only when I approach them to take a loan [ ]
    iii) They call for regular training programs [ ]
    iv) They visit me at the business site [ ]

17. Fill the table below on your opinion regarding training services you get from your micro-finance institution
    (Tick (√) in the appropriate box)

	To what extent do you either agree or disagree with the following?	**Strongly disagree**	**Disagree**	**Neutral**	**agree**	**Strongly Agree**
		1	2	3	4	5
a.	Microfinance institutions aggressively give information of their services which are beneficial to micro & small businesses.					
b.	Training from microfinance institutions has enabled me to maintain a record of my business transactions.					
c.	MFIs' training on how to effectively communicate with customers has helped me retain customers.					
d.	MFIs advise me on how best to utilize the loan money					

18. How would you rate the training services offered by MFIs and performance of your firm?
    i) Very poor [ ]
    ii) Poor [ ]
    iii) Good [ ]
    iv) Very good [ ]
    v) Excellent [ ]

19. Outline the challenges you face on the following
    i) Saving with MFIs

____
____
____
____

ii) Accessing loans from MFIs

iii) MFIs Training

Thank you for your time and input

APPENDIX II

WORK PLAN

The research proposal began on June 2015 and will end in November 2015.

Activity	**APRIL**	**MAY**	**JUNE**	**JULY**	**AUG**	**SEP**	**OCT**
Proposal							
Questionnaire formulation							
Correction of comments							
Pilot Study							
Field Data Collection							
Data Analysis							
Report Writing							
Submission							

APPENDIX IV: BUDGET PROPOSAL

Item	**Cost**
Proposal writing (Material costs)	30,000.00
Designing data collection instruments & Stationery	15,000.00
Transport	5,000.00
Data analysis, Research assistant and expert assistance	30,000.00
Report writing	20,000.00
Contingencies	15,000.00
Total	**115,000.00**