

**IMPACT OF MICROFINANCE SERVICES ON THE FINANCIAL  
PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES IN  
KAKAMEGA COUNTY.**

**BY**

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## DECLARATION

This management research project is my original work and has never been presented for the award of a degree in any other university.

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## **DEDICATION**

I would like to dedicate this work to my dear son, Ryan Baraka.

## **ABSTRACT**

This research seeks to find out the impact of microfinance services on financial performance of SMEs in Kakamega County, Kenya. Governments, donor agencies, and private investors are funding an increasing number of microfinance programs in low-income countries. The findings of this research would enable all these financiers to know if their efforts are creating a meaningful impact on SMEs. A sample survey research design is employed in this study. This enabled the researcher to give adequate attention to each return received from the respondents in order to enhance accuracy. All the microfinance institutions (MFIs) operating within the county are involved in the study with a proportionate sample of SMEs being obtained from each MFI on the basis of total SMEs population served. A likert scale questionnaire is used to map the responses obtained on the impact of microfinance services. Descriptive and inferential statistics are used for the purpose of data analysis. Mean is used to measure the average satisfaction level and standard deviation used to measure the extent of diversity of respondents' opinions (agreement level).Regression model is used to measure the general relationship between microfinance services and financial performance. The research finds out that microfinance services has had a positive impact on the various dimensions that constitute financial performance. The research therefore concludes that microfinance services have improved the financial performance of SMEs in Kakamega County, Kenya.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

BRAC	Bangladesh Rural Advancement Committee
ECLOF	Ecumenical Church Loan Fund
KWFT	Kenya Women Finance Trust
MFI	Microfinance Institutions
MSME	Micro, Small and Medium Scale Enterprises.
SMEs	Small and Medium Scale Enterprises
SMEP	Small and Micro Enterprise Kenya
UK	United Kingdom
UNIDO	United Nations Industrial Development