INFLUENCE OF MICRO-CREDIT INSTITUTIONAL SERVICES ON THE PERFORMANCE OF SMALL SCALE ENTERPRISES AT KAPENGURIA TOWN, WEST POKOT COUNTY, KENYA.

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DECLARATION

Student's Declaration

I, the undersigned, declare that this project is my original work and that it has not been presented in any other university or institution for academic credit.

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DEDICATION

I dedicate this project to my beloved wife Phanice Chepoghon for the patience, love, and support she accorded me throughout my project period

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ABSTRACT

The study aimed at determining the influence of micro-credit institutional services on the performance of small scale enterprise. The study was guided by the following objectives: find out the influence of lending by Micro-Credit institutions on performance of SSE; determine the influence of training after funding by Micro-Credit institutions on performance of SSE; establish the influence of business savings after funding by Micro-Credit institutions on SSE performance and assess the influence of insurances services offered by Micro-Credit institutions on SSE performance in Kapenguria town. The study adopted a survey research design for its ability to emphasize on understanding of a complex issues or objects and also its ability to extend experience on added strength to what is already known through previous research and its ability to collect varied responses from the respondents with an aim of properly understanding the issues under study. The study focused on a target population of 233 participants, of which through purposive sampling 4 management personnel of Micro credit institutions were selected, through stratified sampling 44 employees of micro credit institutions were selected and 97 Small Scale Enterprise owners in Kapenguria town through simple random were also selected in the study. The study therefore targeted a total sample of 145 respondents selected from the population. The data collection instrument that was used to collect data from the selected respondents was questionnaires. The researcher also used the test re-test method to determine the reliability and Cronbach's alpha coefficient to measure the internal consistency of the questionnaire. The data collected was analysed quantitatively and qualitatively using descriptive statistics which involved frequencies, percentages, tables and mean deviations. Findings revealed that the micro credit institutional services to include lending, training, saving and insurance have greatly influenced the performance of the small scale enterprises in Kapenguria town as its impact is felt among the participants. The study concluded that Micro-Credit Institutions should enact regulations that are friendly to SSEs so as not to lock them out from accessing credit. At the same time, they should deal with the problem of nonperforming loans by fully utilizing the services of Credit Reference Bureaus.

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ABBREVIATIONS AND ACRONYMS

FFIs: Formal Financial Institutions

MFI: Micro-Finance Institution

SSE: Small Scale Enterprise

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter presents the background information, statement of the problem, purpose of the study, research objective and questions, significance of the study, assumption of the study, limitations, and delimitations of the study and the organization of the study.

1.2 Background of the Study

Micro credit has been treated as an important tool for economic development in many parts of the world. Lenders of micro credit institutions offer small amount of money to poor people who do not have the capability to reach traditional banking system to borrow money to initiate their business and improve their living standard. Micro Credit has a great influence on job creation, financial stability and reducing global poverty through empowering poor people (Johnson, 2007).

Micro credit consists of small loans provided to micro enterprises. The term Micro-credit dates back in the 19th century when money lenders were informally performing the role now played by financial institutions. The informal financial institutions constitute; village banks, cooperative credit unions, state owned banks, and social venture capital funds to help the poor. More recently, scholars have noted the critical role of micro-credit in achieving the Millennium Development Goals, since they mobilize rural savings and have simple and straight forward procedures that originate from local cultures and are easily understood by the populace. These funds are to provide credit the informal sector and SSEs in developing countries.

Small Scale Enterprises (SSEs) are commonly believed to have very limited access to deposits, credit facilities and other financial support services provided by Formal Financial Institutions (FFIs). This is because these SSEs cannot provide the necessary collateral security demanded by these formal institutions and also, the banks find it difficult to recover the high cost involved in dealing with small firms (Quaye, 2011). In addition to this, the associated risks involved in lending to SSEs make it unattractive to the banks to deal with micro and small enterprises. Consequently the Micro-credit institutions have been considered important in ensuring the success of Small Scale Enterprises (SSEs). As a result, Micro-credit institutions have developed a number of services to facilitate the financial needs of the SSEs while at the same time ensuring that they can guarantee proper use of the funds that they issue to the SSEs.

Globally, there have been many studies conducted relating to the influence of Micro-Credit Institutional services on performance of small scale enterprises. Many seem to suggest that Micro-Credit Institutional services only benefit themselves from the interest they collect but do little to the performance of the Small Scale Enterprises while others have suggested that of Micro-Credit Institutional services are best positioned to suite the interests of both the Micro-Credit Institution and that of SSEs. According to (Christen,1997), micro-credit institutions facilitate small scale business initiations and rural grassroots development and are a popular means in international development, especially in North America and the least developed countries. (Wright, 1999), argues that Micro-Credit Institutions have very little influence on the performance of SSEs as its interest is to make profit from the loans they offer as capital.

Regionally, most enterprises have preferred use of micro-credits as a means of starting up small business. Dahiru (2011) noted that in Africa, the performance of small scale enterprise is majorly dependent on the management of the enterprise and not on micro-credit institutional services due to the nature of the operating business environment in the region which poses other challenges to businesses besides the financial demands. In most developing countries however, the performance of small scale enterprise is linked to both micro-credit institutional services and the management of the enterprise. The common micro-credit institutional service offered has been the financial assistance but lately, micro-institutions offering credit to SSEs are noting the need to accompany financial lending against other support services such as training and appraisal for funds given targeting specific projects of developments in a business. However more efforts by micro-credit institutions in the provision of services to micro-credits need to be explored owing to the low success rate of business premises that rely on debt as opposed to equity in the African continent (Kalasha, 2012).

Locally, existing literature has not been able to determine the influence of Micro-credit institutional services on the performance of small scale enterprises. (Omollo, 2010), has noted that the performance of many small scale enterprises in the country is attributed to the professional management of the SSEs but (Dent, 2012), has argued that their success depends entirely on funds management. Most businesses operating in Kenya have heavily relied on debt but this to some have been a point of downfall due to the high interests charged on this debt and the ease to misuse debt as it is easily available as a form of capital for businesses which have collateral. This therefore implies the need to undertake carefully considered mode of assessing roles of microfinance services despite perceived perceptions associated with debt. This study therefore seeks to establish the influence of micro-credit institutional services on the performance of small scale enterprises.

1.3 Statement of the Problem

Small scale enterprises are developed on the premise of an identified business opportunity which is expected to generate a profit considering the existing market needs. Businesses therefore seek for capital which is expected to ensure the proper set up of a business that will provide all essential services to identified target groups while posting returns that allow for survival and growth of business. In certain incidences operational businesses look for additional capital to increase scales of production or to rescue them from occasional recessions which negatively affect the business.

It is however not always business as usual whenever a Small Scale Enterprise seeks for financial assistance from a micro credit institution. Instead of increasing businesses processes and growing, some will run into debts while other was unable to reap the benefits associated with the investment of capital. It is therefore not always that businesses that access finances are able to repay these loans which is not only worrying to business owners but also to micro-credit institutions which are likely to lose their funds because of the inability of Small Scale businesses to repay. This has necessitated Micro-Credit institutions to re-think on the associated services they would accompany the issuance of funds with to the businesses owners. Some besides reviewing the credit history of the SSEs want to be directly involved in the usage of funds they issue while providing necessary consultative guidance that they feel is necessary. The range of services has therefore varied from on Micro-Credit institution to another.

These solutions among others have worked positively for some Micro-Finance institutions and businesses while they have failed in some cases leading to scholars questioning on the viability of micro-credit institutions as drivers of economic success for business enterprises. The lack of sufficient literature on the issue has aggravated the problem with different Micro-credit institutions preferring to employ different ways of not certain of the best practices. It is therefore against these backgrounds that the study aims to establish the influence of micro-credit institutional services on the performance of small scale enterprises.

1.4 Purpose of the study

The general objective of the study was to investigate the influence of Micro- Credit Institutional services on performance of small scale enterprise, at Kapenguria town, west pokot county, Kenya.

1.5 Research Objectives

The study was guided by the following research objectives

i. To find out the influence of lending by Micro-Credit institutions on performance of SSE in Kapenguria town

ii. To determine the influence of training after funding by Micro-Credit institutions on performance of SSE

iii. To establish the influence of business savings after funding by Micro-Credit institutions on SSE performance

iv. To assess the influence of insurances services offered by Micro-Credit institutions on SSE performance

1.6 Research Questions

The study was guided by the following research questions

i. What is the influence of lending by Micro-Credit institutions on performance of SSE in Kapenguria town?

ii. What is the influence of training after funding by Micro-Credit institutions on performance of SSE?

iii. What is the effect of business savings after funding by Micro-Credit institutions on SSE performance?

iv. What is the influence of insurances services offered by Micro-Credit institutions on SSE performance?

1.7 Significance of the Study

The study will be of great benefit to a number of stakeholders;

The study will be of great benefit to the small scale enterprises in Kapenguria as it will shed light into how the small scale enterprises can employ the use of micro-credit institutional services in enhancing their performance. This will be an important start for the small scale enterprises to boost their performance through the use of micro-credit institutional services

The study will also be beneficial to scholars and academicians as it will provide a point of discussion and further research to build up on the findings of the study. It will attempt to provide the relationship between micro-credit institutional services and performance of small scale enterprises from which future researchers will seek to debate and further this knowledge.

1.8. Delimitation of the Study

In content, the study focused on assessing the influence of Micro- Credit Institutional services on performance of small scale enterprises in Kapenguria town. The services to be assessed included lending associated with Micro- Credit Institutional services, training associated with Micro- Credit Institutional services and appraisal associated with Micro- Credit Institutional services.

The study was conducted for a period of three months from the months of May 2015 to July 2015. Within these three months the study was able to collect, analyze and present the findings of the data collected. Kapenguria town is located in north eastern side of Kitale town, and is the headquarter of West Pokot County. The town was selected because it is one of the town's in the country that has a large number of Small Scale Enterprises.

1.9 Basis Assumptions of the Study

The following conditions were assumed to be true for the study to be undertaken:

i. That in Kapenguria town there is a sufficient number of small scale enterprises have been established mindful about their survival and business performance

ii. That the small scale enterprises in Kapenguria town are willing to use micro-credit institutional services to boost their performance

iii. That SSEs in Kapenguria town values micro credit as a means of providing grass root development in the town and is keen to use micro credit institutional services to boost the performance of small scale enterprises.

1.10 Organization of the study

This study proposal comprises of three chapters namely chapter; one, two, three. Chapter one deals with the background of the study, problem study, research objectives, significance of the study, delimitation of the study and the possible limitations that were encountered by the researcher. Chapter two basically deals with reviewing of theories and the past studies. The past studies offer insights and are beneficial in guiding and providing information to the researcher. Chapter three, Research methodology, encompasses: the research design which the researcher used; the study area where the researcher undertook the study, the target population and the sample size that the researcher used to obtain the information from, researcher instruments which the study employed in collecting the information, validity and the reliability of the research instruments, data collection procedures, data analysis procedures, operational definition of variables and ethical consideration.

1.11 Operational Definition of Terms

Appraisal: The process by which a manager or consultant examines and evaluates an employee's work behaviour by comparing it with preset standards, documents the results of the comparison, and uses the results to provide feedback to the employee to show where improvements are needed and why.

Lending: the act of providing money temporarily to a lender on condition that the amount borrowed is returned, usually with an interest fee time frame is usually agreed upon

Micro credit institutions: these are organizations that avail credit facilities and loaning programmes to small scale enterprises

Performance: successes factors in business towards achieving its objectives and goals usually both financial and non financial terms

Savings: apportion of money left over when the cost of person's consumer expenditure is subtracted from the amount of disposable income that he/she earns in a given period of time

Small Scale Enterprises: A small scale enterprise is a privately owned and operated business, characterized by a small number of employee' e.g shopkeepers.

Training: continuous process aimed at impacting information/instructions with the aim of improving business performance

CHAPTER TWO

LITERATURE REVIEW

2.1introduction

This chapter reviewed literatures, Specifically, those highlighting the micro credit institutional services and performance of small scale enterprises. There are a number of publications that shed light on the influence of these micro credits on the performance of small scale enterprises and other theories as well as the conceptual framework.

2.2. Influence of Training by MFI on Performance of Small Scale Enterprise

In the development of small scale enterprise, training plays a vital role, improving performance as well as increasing productivity, and eventually putting companies in the best position to face competition and stay at the top. This means that there is a significant difference between the organizations that train their employees and organizations that do not (Grade, 2010). Training is a type of activity which is planned, systematic and it results in enhanced level of skill, knowledge and competency that are necessary to perform work effectively (Gordon, 1992). There exists a positive association between training and employee performance.

Training generates benefits for the employee as well as for the organization by positively influencing employee performance through the development of employee knowledge, skills, ability, competencies and behaviour (Green, 2010). Organizations that are dedicated to generating profits for its owners (shareholders), providing quality service to its customers and beneficiaries, invest in the training of its employees. The more highly motivated a trainee, the more quickly and systematically a new skill or knowledge is acquired. That is why training should be related to money, job promotion, and recognition etc, i.e. something which the trainee desires (Flippo, 1976). There are four prerequisites for learning: Motivation comes first. Cue is the second requirement. The learner can recognize related indicators (cue) and associate them with desired responses with the help of training. Response comes third.

Training should be immediately followed by positive reinforcement so that the learner can feel the response. Last is the feedback; it is the information which learner receives and indicates in the quality of his response. This response must be given as quickly as possible to make sure successful learning (Leslie, 1990)

Most of financial institution lend money and train the borrower on how to spend and repay the loan. Bearing in mind that human resources are the intellectual property of the firm, employees prove to be a good source of gaining competitive advantage (Houger 2006), and training is the only way of developing organizational intellectual property through building employees competencies. In order to succeed Organizations have to obtain and utilize human resources effectively. Organizations, therefore, need to design its human resource management in ways that fit into the organization's structure as this it will make the organizations achieve their goals and objectives. Moreover, it is also important for organizations to assist their workforce in obtaining the necessary skills needed and, increase commitment.

When micro-credit institution offer training on how to invest money borrowed by small scale enterprise they consider the level of management According to Wognum (2001, 408), training and development needs may occur at three organizational levels namely; (1) strategic level where needs are determined by top management while considering organizations goals, mission, strategy and problems, which need to be resolved or fixed (2) tactical level where needs are determined with middle management while considering developments needs to the coordination and cooperation between organization units and (3) operational level where needs are determined with lower executive management and other employees while considering problems related to operations such as performance problems of individual workers and departments in subject. In order to enable an organization formulate human resource training and development goals that will enable both formal and informal human resource training and development methods and programmes create a workforce that enables effectiveness and competitiveness, it is worth giving consideration to, providing proper coordination as well as proper incorporation of the needs within the three levels

Micro-credit institution put into considers the needs relevant to the organization objectives before offering training to the owner. According to Wognum (2001) and Torrington et al. (2005), there are three categories of identifying training needs. These include: resolving problems, this focuses on workers' performance, improving certain working practices, this focuses on improvement regardless of the performance problems and changing or renewing the organization situation, which may arise because of innovations or changes in strategy. It is worth putting in mind that during the identification of training needs, there is need to create, develop, maintain and improve any systems relevant in contributing to the availability of people with required skills. Moreover, training programmes should be designed to carter for the different needs. Further still, the training programme, content and the trainees' chosen depend on the objectives of the training programme (Milkovic & Bordereau 2003).

A number of approaches have been highlighted in previous literature for identifying needs (Edmond & Noon 2001; Torrington et al. 2005). These are the problem-centred (performance gap) and profile comparison (changes and skills) approaches. Similarly, a number of approaches for analyzing training needs depending or either new or current employees have been pointed out by earlier studies (see e.g. Torrington et al. 2005, 390 – 392). The two most traditional approaches being the problem centered approach and the profile comparison approach. The problem centred approach focuses on any performance difficulties and the corporation analyses if the problems are due to insufficient skills, which then need to be developed if the problem is to be solved. Profile comparison approach on the other hand focuses on matching the competencies with the job filled, whether new position or existing position. Some changes in strategy and technology may also bring the need for new or additional skills

Nadler (1984) noted that all the human resource development activities are meant to either improve performance on the present job of the individual, train new skills for new job or new position in the future and general growth for both individuals and organization so as to be able to meet organization's current and future objectives. Training procedure of micro-credit institution to the small scale enterprises depends on the enterprise itself. There are broadly two different methods that organizations may choose from for training and developing skills of its employees. These are on-the- job training given to organizational employees while conducting their regular work at the same working venues and off-the-job training involves taking employees away from their usual work environments and therefore all concentration is left out to the training. Examples of the on-the-job training include but are not limited to job rotations and transfers, coaching and/or mentoring.

On the other hand, off-the-job training examples include conferences, role playing, and many more as explained below in detail. Armstrong (1995) argues that on-the-job training may consist of teaching or coaching by more experienced people or trainers at the desk or at the bench. Different organizations are motivated to take on different training methods for a number of reasons for example; (1) depending on the organization's strategy, goals and resources available, (2) depending on the needs identified at the time, and (2) the target group to be trained which may include among others individual workers, groups, teams, department or the entire organization.

2.2.1 Influence of Performance appraisal by MFI on Performance of Small Scale Enterprise after training

Performance appraisal is a process that is carried out to enable both the individual and the organization to analyze, examine and evaluate the performance of specified objectives over a period of time. Micro-credit institutions help small scale enterprise carry the performance appraisal of its employee. Employee's performance determines the profits of a firm hence parts of the profit are used to service loans borrowed from micro-credit institution. This process can take up formal and informal forms (McCourt & Eldridge 2003, 2009).

The purposes of performance appraisal have been classified into two groups that are the developmental and administrative purposes. The developmental purposes of performance appraisal include providing performance feedback, identifying individual strengths/weaknesses, recognizing individual performance, assisting in goal identification, evaluating goal achievement identifying individual training needs, determining organizational training needs, improving communication and allowing employees to discuss concerns. On the other hand, administrative Under the developmental purposes are purposes of performance appraisal include but are not limited to documenting personal decisions, determining promotion candidates, determining transfers and assignments, identifying poor performance, deciding layoffs, validating selection criteria, meeting legal requirements to mention a few.

The success of the small enterprise depends on your understanding and use of the performance appraisal process as an opportunity to improve productivity and develop full potential. Understanding expectations is in important element of the appraisal process. Defining the expectations is the joint responsibility of you and your supervisor. Using the job description as a starting point, employees and supervisors must develop a mutual understanding of the roles, responsibilities and expectations of the position. The objectives of the performance appraisal are to provide feedback on your past performance, to agree on standards for future performance, and to develop goals and objectives for your personal and professional growth. For these objectives to be achieved, both you and your manager must have a good understanding of the process and fully support it. In addition to your annual performance appraisal, supervisors should conduct reviews regularly during the year in order to discuss the employee's progress toward accomplishing desired results and to address on- going issues.

Performance appraisal can be conducted once, twice or even several times a year. The frequency of micro-credit institution conducting performance appraisal on the enterprise they fund is determined by the enterprise depending on the resource capability and what is to be evaluated with regard to organization's objectives and strategies.

2.3 Influence of lending by MFI on Performance of Small Scale Enterprise

Lack of access to credit is a major constraint inhibiting the growth of SSEs sector (WorldBank,2013). The issues and problems limiting SSEs acquisition of financial services include lack of tangible security coupled with inappropriate legal and regulatory framework that does not recognize innovative strategies for lending to SSEs. Limited access to formal finance due to poor and insufficient capacity to deliver financial services to SSEs continues to be a constraint in the growth and expansion of the sector. Formal financial institutions perceive SSEs as high risk and commercially unviable. As a result, only a few SSEs access credit from formal financial institutions in the country. Various types of assistance have been provided to SSEs to boost their growth and development by making them more profitable

Small businesses that active in developing areas frequently report financial constraints as key obstacle. One of the reasons for this is the high risk environment in which these firms operate. Firms that have sufficient access to finance are often more productive.

According to Mosley (2001), MFI are said to be a cheaper way of source of finance to SSEs. Despite of MFI service been cheaper way of source of finance to SSEs, very little is known on the actual cost for microfinance clients to access these services, except interest rates. The interest rate is not the only cost of credit incurred by SSEs, there are also other costs related to the process of obtaining information about the services and the whole process of applying for the loan, cost of getting transportation to make loan payments, time spent obtaining loan and tracking the debt all these are referred as transaction costs.

Micro Finance is recognized as an effective tool to business development by providing financial services to those who do not have access to or are neglected by the commercial banks and financial institutions. Financial services provided by the Micro Finance Institutions (MFIs) may include one or any combination of savings, credit, insurance, pension/retirement and payment services Chijoriga (2000). Microfinance is also frequently combined with the provision of social and business development services, such as literacy training, education on health issues, management or accounting.

Micro finance can be a critical element on effective business management. Improved access and efficient provision of savings, credits and insurance facilities in particular can enable the small firms to manage risk better; built assets gradually develop micro enterprises, enhance their income earning capacity and enjoy improved quality life (Rubambey, 2001).The main features of a microfinance institution which differentiate it from other commercial institutions, are such that, it is a substitute for formal credit; generally requires no collateral; have simple procedures and less documentation; easy and flexible repayment schemes; financial assistance of members of group in case of emergency; most deprived segments of population are efficiently targeted; and, last but not least, is groups interaction.

Carpenter and Petersen (2002) argue that firms whose financial needs exceed their internal resources may be constrained to pursue potential opportunities for growth. The insufficient internally generated liquidity is therefore one of the factors which are frequently cited as the causes of micro and small business failure in developing economies. It is from this perspective, the micro credits are considered to be an appropriate solution because the amount of money needed to start a micro or small business is generally quite minimal (Sonfield & Barbato, 1999)

2.4 Influence of Saving by MFI on Performance of Small Scale Enterprise

Most people owning small enterprise prefers to save their money on micro-credit institution due to the benefits that come with them compared to commercials banks, which were traditionally looked upon as powerful catalyst of economic development through mobilization and the provision of credit to profitable ventures do not offer credit to the rural poor or small business. Stringent lending policies and collateral requirements, cumbersome procedures and their perception of small business and the rural poor as risky, often leads to exclusion. Most formal financial institutions regard low income households as too poor to save, and are not personally known to them, they do not keep written accounts or business plans, they usually borrow small sums, while administration and carrying costs are almost as high as for large loans

Bank, (1983) explains that many SSEs have limited capital, lack relevant skills and used outdated technologies that constrained their growth. However, there are a number of factors that influence the decisions of SSEs' operators and mangers before deciding the saving and amount to save to invest in business activities. Prasad, Green and Murinde (2005) found that financing policy, capital structure and firm ownership are all strongly linked. Their argument was that saving policy by firms requires managers to identify ways of funding new investment. The managers may exercise main choices: save retained earnings, issue new shares and save money acquired from the sales. .

Rutherford, (2014) argues that the basic problem small enterprises money managers' face is to gather a 'usefully large' amount of money. Starting up a small business may involve saving and protecting diverse business material for years until enough are available to proceed with business idea. Business capital may be funded by various activities like buying chickens and raising them for sale as needed for expenses, seed capital and house rent etc. Because all the value is accumulated before it is needed, this money management strategy is referred to as 'saving up

Often, people don't have enough money when they face a need, so they borrow. An entrepreneur may borrow from relatives, moneylender or from a microfinance institution to implement new business idea. Since these loans must be repaid by saving after the cost is incurred, Rutherford calls this 'saving down'. Rutherford's point is that microcredit is addressing only half the problem, and arguably the less important half: business people borrow to help them save and accumulate assets. Microcredit institutions should fund their loans through savings accounts that help business people manage their myriad risks

Most needs are met through a mix of saving and credit. Rutherford, (2014) explains a benchmark impact assessment of Grameen Bank and two other large microfinance institutions in Bangladesh found that for every $1 they were lending to clients to finance rural non-farm micro-enterprise, about $2.50 came from other sources, mostly their clients' savings. This parallels the experience in the West, in which family businesses are funded mostly from savings, especially during start-up.

Micro-credit institution produces many benefits for small scale enterprise. One of the benefits is that it is very accessible. Banks today simply won't extend loans to those with little to no assets, and generally don't engage in small size loans typically associated with micro financing. Through micro financing small loans are produced and accessible. Micro-credit financing is based on the philosophy that even small amounts of credit can help a small business expand. Another benefit produced from the micro financing initiative is that it presents opportunities, such as extending education and jobs. Business people who receive micro-credit financing are less likely to close their enterprise due to economic reasons. As well, in relation to employment, people are more likely to open small businesses that will aid the creation of new jobs. Overall, the benefits outline that the micro-credit financing initiative is set out to improve the standard of living amongst impoverished communities (Rutherford, 2009).

2.5 Influence of Insurance by MFI on Performance of Small Scale Enterprise

Running a business with basic insurance is a very smart way in managing the identified risk and reduces uncertainty (Douglas, 2009). Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for periodic payment (Aruwa, 2005). It is a risk management strategy that protects the insured from risk for a specified fee. It is a risk treatment option which involves risk sharing. There are different types of insurance policies just as there are different risk exposures. Gelinas (1998) identifies the following types of insurance policies liability insurance; business property insurance, workers compensation insurance, health insurance, life insurance etc. Small businesses no matter the type are exposed to liabilities. So there is need for protection against them.

Liability insurance is shifting financial liability for covered claims from the insured business owner to the insurance company. In this instance any damage or injuries that occur to a third party while on your property, or as a result of using your product or service, are paid for by the insurance provider (Vaughan, 1997). Examples of liability insurance for small business are General Liability Insurance, Public Liability Insurance, Professional Liability Insurance, Product Liability Insurance and Employers Liability Insurance.

According to Sanusi (2004), for a small business, its properties need to be protected since efforts to replace are more demanding on the business. This is why business property insurance is also necessary. Sickness is an unpredictable occurrence and when it strikes a key employee then the business suffers. Health insurance can make available funds to take care of an employee when the need arise. SMEs should know that insurance policies can be changed to suit their needs. If a policy does not cover a particular risk in a particular business, the owner can demand to have a clause included in it to suit his. The main thing to be understood is that an insurance policy no matter the type should be adequate. This means over-insure and under-insurance is not healthy for any business. The solution is to contact experts before taking decision.

Quaye (2011) notes that, business owners should know that risk management is so fundamental and it should be considered right from the start of the business. Good risk management protects the reputation of the company and helps it plan for contingencies ensuring enhanced profitability and longevity of the business (Gelinas, 1998). Most business plans do not adequately address business risk. Several research studies have been conducted to help stimulate the thought process of business owners to understand their business for enhanced decisions. Decisions here could mean among other things on how you allocate your resources and time having understood your business and the risk that is exposed to it.

Giving the vital role played by SMEs in the economic development of any nation, the sector has wide range of expectation by its stakeholders; for example, government expect SMEs to survive, grow and be productive to stabilize the economy, customers expect that the products offered by SMEs should be there for them whenever they need them, big industries that use the products of SMEs are counting on them for their production, investors expect SMEs to operate profitably to enhance the security of their funds. The issue of risk and its management is therefore appropriate for SMEs for the overall interest of the stakeholders and the economy as a whole.

2.6 Theoretical Framework

The Study was guided by the Resource Based Theory. The resource-based theory is predominantly used to analyze strategic resources that are available to firms. Resources include all assets, capabilities, organizational processes, firm attributes, information and knowledge that are controlled by firms and which enable them to conceive of, and implement strategies that improve efficiency and effectiveness (Horward, 1995). Resources are either property-based or knowledge-based (Horward, 1995). In this respect, property-based resources are tradable and non-specific to the firm while knowledge-based resources are the ways in which firms combine and transform tangible input resources. Therefore, knowledge-based resources may be important in providing sustainable competitive advantage (Horward, 1995) Age and education are two common sources of knowledge-based resources, which influence access to bank credit (Kimuyu and Omiti 2000). Other, sources of knowledge-based resources that have the potential to influence access to bank credit include family business history, entrepreneurial experience, industry specific know-how, training and social capital (Schell, 1996).

The above-mentioned characteristics are individually necessary, but not sufficient conditions for attaining superior outcomes. The organization of these resources is very important (Dorothy et.al., 1998). The organizing activities in MSEs include cognitive aspects such as planning, decision making or failure considerations and actions such as resource acquisition. Entrepreneurial orientation is a construct that has been used previously to measure the extent of organization in small enterprises (Dorothy et.al., 1998). Entrepreneurial orientation refers to a firm's decision-making styles, methods and practices that lead to new entry (Horward,1995) It reflects three organisational level behaviours namely: risk-taking, innovativeness and pro activeness (Dondo, 1995). When accessing bank credit is considered as new entry, entrepreneurial orientation should be expected to be its direct determinant. Studies that examine this proposition are not readily available.

The fundamental principle of the resource-based theory is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal. This requires resources to be heterogeneous in nature and not perfectly mobile (Dorothy et.al., 1998). It also means that valuable resources should neither be perfectly imitable nor substitutable without great effort. If these conditions hold, the firm's bundle of resources can assist the firm to have unique dispositions that lead to superior outcomes.

In relation to this study, the theory can be used to show how micro credit institutional services (resources) by SSEs enhance performance. This will offer a competitive advantage to the SSEs as it will boost their financial capability.

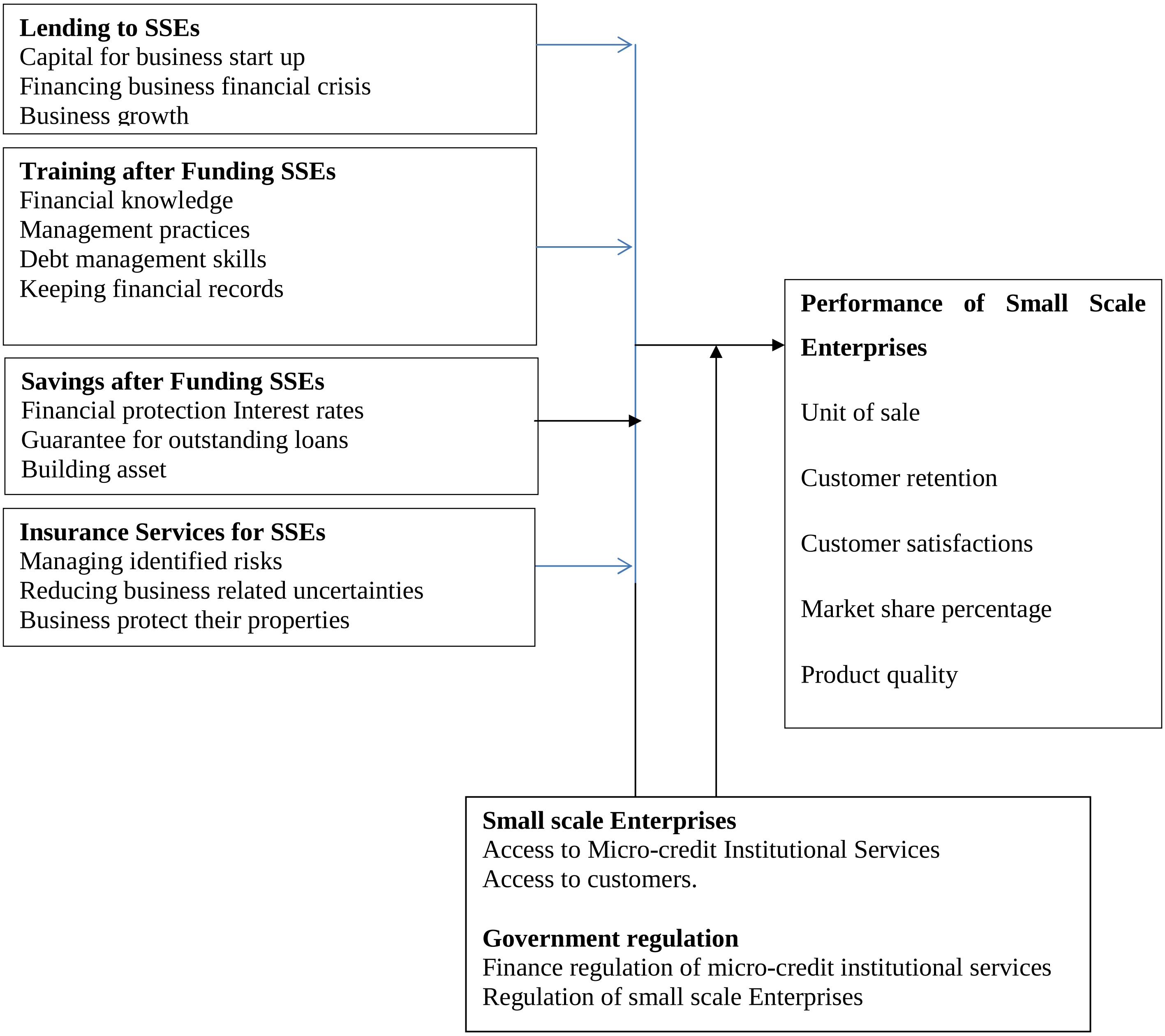
2.7 Conceptual Framework

The study employed the use of a conceptual framework to illustrate the relationship between the dependent and the independent variable; the dependant variable included units of sale, customer rentation, product quality, market share, customer satisfaction. While the independent variable included services such as lending to SSEs, training after funding, saving after funding, and insurance services to SSEs. The moderating variable included the access of this services to customers, the access of this micro credit institutional services and government policies in the management of this institutions.

Figure 1.1 Conceptual framework

Independent Variable **Dependent Variable**

Micro-credit Institutional Services **Performance of Small Scale Enterprises**



Source: Authors , (2015)

2.8 Research Gap

Although the influence of micro-credit institutions have called for the attention of some researchers both internationally (Vaughan, 1997) little is still known about the influence micro-credit institutional services on the performance of Small Scale Enterprises (Sanusi, 2004). In as much as recent efforts have been made to better understand this subject in an African context (such as researches by Global Entrepreneurship Monitor (GEM), (2010)), these studies only focused on MSEs entrepreneurs (Fumo and Jabbuor, 2011), and never included SSEs entrepreneurs.

The literature reviewed has left a relative gap in state-of the-art on this subject, particularly in the context of Kapenguria town. Thus, there is little apparent evidence on factors influencing performance of SSEs in Kapenguria town. As a consequence, the motivation for this study was: what are the influence micro-credit institutional services on the performance of Small Scale Enterprises the influence micro-credit institutional services on the performance of Small Scale Enterprises in Kapenguria town? The originality of this study is that it will provide empirical evidence of SSEs Kapenguria town.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter covers the research methodology and procedures that was followed in carrying out the field work for the purpose of collecting data. The purpose of this section was to provide a description of the field research area or setting an outline of the study population, sample size, and sampling technique, data source and instruments data collection procedures, data analysis and presentation.

3.2 Research Design

Oliver (2006) defines research design as all pragmatic aspects of the way the research was carried out. According to Kothari (2008) the research design is the conceptual structure within which research is conducted, it constitutes blue print for collection, measurement and collection of data.

The study adopted a survey study research design. The survey research design was selected for its ability to collect varied responses from the respondents with an aim of properly understanding the issues under study. This implies that through the survey, the study was able to examine in detail how micro credit institutional services influence the performance of small scale enterprises. A survey study research excels at bringing to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. (Patton, 2006)

3.3 Target Population

Study population is a study of a group of individuals taken from the general population who share a common characteristic, such as age, and sex,. Target population about which information is desired for the study is derived from the population. The population that is actually surveyed is the study population (Mugenda and Mugenda, 1999). The population of interest in the study will consist of the Small Scale Enterprise owners in Kapenguria town. The study will focus on; 6 management personnel of Micro credit institutions, 70 employees of micro credit institutions and 157 Small Scale Enterprise owners in Kapanguria town. The study will therefore target a total of 233 respondents.

Table 3.1 Target Population

Target Group	**Target Population**
Management of MFIs	6
Employees of MFIs	70
Business owners Kapenguria	157
Total	233

Source: (West Pokot County, 2015)

3.4 Sample and Sampling Procedures

Kothari (2004) define a sample as part of the target population that has been procedural selected to represent it. Sampling is the process of systematically selecting representative elements of a population. A sample size of 155 respondents was selected for the study. The study will employ Purposive sampling is a sampling technique where the researcher consciously decides who to include in the sample. It is mainly used to collect focused information directly answering the research questions. This technique enabled the researcher sample 6 management personnel of MFIs. Stratified sampling technique was used to select employees of MFIs from the different departments of the company to be included in the sample.

Stratified sampling technique is a technique that identifies sub-groups in the population and their proportions and select from each subgroup to form a sample. It groups a population into separate homogeneous subsets that share similar characteristics so as to ensure equitable representation of the population in the sample. The study will also employ simple random sampling to select Small Scale Enterprise owners. Simple random sampling was used to avoid biasness and every individual to have an equal chance to participate in the study.

The sample size of the study was calculated using the formula below as recommended by fisher et al (2003):

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

Where;

nf = Sample size (when the population is less than 10,000).

n = Sample size (when the population is more than 10,000); 384.

N = Estimate of the population size; 233

Sample size for the respondents

$$nf = \frac{384}{1+\frac{384}{233}}$$

The desired sample size therefore comprised of 145 respondents.

Table 3.2 Sample Frame of the Respondents

Category	**Target Population**	**Procedures**	**Sample Frame**	**Sampling Procedures**
Management of MFIs	6	6/233*145	4	Purposive Sampling
Employees of MFIs	70	70/233*145	44	Stratified sampling
Business owners	157	157/233*145	97	Simple Random Sampling
Total	**233**		**145**	

Source: (West Pokot County, 2015)

3.5 Research Instruments

This refers to the tools to be used for collecting data and how these tools were developed. The data collection instrument that was used to collect data from the selected respondents was questionnaires and interview schedules. Selection of this tools will guided by the nature of data to be collected, time available and objectives of the study.

3.5.1 Questionnaires

The study used primary data which was collected through self-administered questionnaires. The structured questionnaires were used to collect data on the determinants of micro credit institutional services on small scale enterprises performance. The questionnaires will consist of both open and closed ended questions designed to elicit specific responses for qualitative and quantitative analysis respectively. The questionnaires was administered through "drop and pick later" method.

Adequate time was given to the respondent to answer questions, and the respondent will use semi-structured questionnaires to avoid misunderstanding or wrong interpretation. The questionnaire utilized a five point Likert scale namely Strongly Agree (SA), Agree (A), Neutral (N), Disagreed (D) and Strongly Disagree (SD) which were assigned scores of between 5and 1. This will allow the researcher to draw conclusions based on comparisons made from the responses. The researcher will opt to use questionnaires so as to collect a lot of information over a very short period of time.

3.6 Validity of the Research Instruments

According to Miles and Huberman (1994) validity on the other hand refers to whether an instrument actually measures what it is supposed to measure, given the context in which it is applied. In order to ascertain content and face validity, the questionnaires and interviews was presented to the supervisor in the University for Scrutiny and advice. The contents and impressions of the instruments were improved based on the lecturer's advice and comments. The questionnaire will then be constructed in a way that they will relate to research objectives. This will ensure that all research objectives were covered.

The questionnaire used in this study was also being given to the independent experts in consultation with a statistician to evaluate it for face and content validity as well as for conceptual clarity and investigative bias. In terms of using the information gathered through the questionnaire, it must be emphasized that no summative scores was used for interpretation purposes but rather the answers to individual items in the questionnaire. According to Polit and Hungler (2007), a pre-test is a trial run to determine whether an instrument solicits the type of information envisioned by the researcher.

3.7 Reliability of the Research Instruments

It was necessary to ascertain the validity and reliability of the instruments used to collect data so that the research findings can be reliable. Bless and Higson-Smith (2005) highlight that reliability is "concerned with the consistency of measures", thus, the level of an instrument's reliability is dependent on its ability to produce the same score when used repeatedly. The questionnaires to be used for the purposes of this study were designed with the input of consulted experts and also through the constructive criticism of the supervisors.

The researcher used the test re-test method to determine the reliability. The main purpose of the test-retest was to check on suitability and the clarity of the questions on the instruments designed, relevance of the information being sought, the language used and the content validity of the instruments from the responses given.

The study employed also use of Cronbach's alpha coefficient to measure the internal consistency of the questionnaire. The following scale was used to determine how reliable the data sets for each of the variables were;

Table 3.3 Reliability Measures

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.8 \leq \alpha < 0.9$	Good
$0.7 \leq \alpha < 0.8$	Acceptable
$0.6 \leq \alpha < 0.7$	Questionable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

Source: Kombo and Tromp, (2006).

As a general rule a value of $\alpha>0.7$ was used to determine if the data is reliable enough for each of the data sets where α is the item being tested for reliability.

3.8 Data Collection Procedures

The researcher obtained a letter of introduction from University of Nairobi. Once the research proposal is approved, a research permit will then be obtained from the National Commission for Science, Technology and Innovation before the researcher proceeded to Kapenguria town to seek consent to conduct the study. Once the permission was granted, the researcher arranged to visit the respondents within Kapenguria town, for familiarization purposes and to seek permission from the Kapenguria municipal council concerning the intended date of data collection within their town. After their participation is confirmed, a date was set and appointment booked with the Kapenguria municipal council as well as the participants in the study. The participants was given time to respond to all the items in the questionnaires. Then the questionnaires were collected for data analysis.

3.9 Data Analysis

Data analysis is the process of creating order, structure and meaning to the mass of information collected (Mugenda, 2003). The data collected was analysed quantitatively and qualitatively. This was done thematically following the objectives of the study. The strength of qualitative research is its ability to provide complex textual descriptions of how people experience a given research issue (Denzin, 2000). It provides information about the “human” side of an issue – that is, the often contradictory behaviors, beliefs, opinions, emotions, and relationships of individuals. Qualitative methods are also effective in identifying intangible factors, such as social norms, socioeconomic status, gender roles, ethnicity, and religion, whose role in the research issue may not be readily apparent (Denzin, 2000).

3.10 Ethical Issues

To ensure that the study complies with the ethical issues pertaining research undertaking, a permission to conduct the research was sought from the respective authorities. A full disclosure of all the activities concerning the study was explained to the authorities and this involved the study intention which was only for learning purposes. A high level of confidentiality and privacy was observed and the findings of the study will only be submitted to the University and the Kapenguria municipal council.

A letter of introduction was obtained from the University to serve as evidence of the purpose of the study. In respect for the informants and in order to protect them from abuse resulting from the data they give for the research, data was presented in such a way that it was not linked to individuals who gave it except by the researcher who might have need to seek clarification during analysis of data.

CHAPTER FOUR

4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presented the results of the data analysis procedures on influence of micro-credit institutional services on the performance of small scale enterprises at Kapenguria, West Pokot County, Kenya. Data was analysed and interpreted in form of tables, percentages and mean deviations these made it easier for understanding the study,

4.1.1 Response rate

This chapter presented the result of the data analysis procedures on influence of micro-credit institutional services on the performance of small scale enterprises at Kapenguria, west pokot county, Kenya. A total of 145 respondents from small sized enterprises participated in the study. 145 questionnaires were issued and those returned were 145 questionnaires thus translating to 100% return rate.

4.2.0 Demographic Information of the Respondents

The study sought to determine the demographic information of respondents because it enables the researcher to gauge the reliability of the data received and know the type of people that he or she is dealing with. This information includes gender, age and educational level.

4.2.1 Gender of the Respondents

Data on gender of the respondents was sought because men and women perceive issues differently. Findings would also indicate whether small scale enterprises were run by a particular gender. The findings on gender are as shown in table 4.1.

Table 4.1 Gender of the Respondents

Gender	Frequency	Percent
Male	87	60
Female	58	40
Total	**145**	**100**

Findings of this item showed that, majority of the respondents were male, (60%) while female respondents were (40%). This indicates that, most owners of small scale enterprises may be men. The results also indicate that the study considered gender representation hence responses represent views of both gender.

4.2.2 Age Brackets of the Respondents

Data on the age brackets of the respondents was sought since age brackets it plays a critical role in understanding of issues. To a larger extend, older people are more experienced and are likely to relate issues more directly than relatively younger people. This information was sought to determine whether the respondents were young or old. The results are presented as indicated in table 4.2.

Table 4.2 Age Brackets of the Respondents

Age brackets	Frequency	Percent
Below 30	7	5
31-40	44	30
41-50	72	50
Above 51	22	15
Total	**145**	**100**

Findings on age of the respondents showed that, majority of the respondents running small scale enterprises (50%) at West Pokot county were in the age bracket of 41-50 years, followed by those in the age bracket of 31-40 years (30%), then those in the age bracket of 51 years and above (15 %) and finally those in the age bracket of below 30 years (5%). It can be deduced that, majority of the entrepreneurs are at their prime age hence are active and likely to manage their businesses well.

4.2.3 Educational Level

Respondents' educational level was sought to give the researcher an insight on the educational level of the respondents. This information was sought to determine whether respondents' educational level influenced understanding on how micro-credit institutional services influenced performance of small scale enterprises. The findings of this item were presented as tabulated as represented in Table 4.3.

Table 4.3 Educational Level

Age brackets	Frequency	Percent
Primary	7	5
Secondary	87	60
college	36	25
University	15	10
Total	**145**	**100**

The results in Table 4.3 indicate that, majority of the respondents 60% attained secondary education, 25% were diploma holders, 10% had university education and 5% had primary level of education. These findings are a clear indication that there is professionalism among the respondents. Having such academic qualifications implies that the SSEs owners are well educated and thus likely to excel in their businesses. This further implies that the respondents had the necessary qualifications to provide information on the research topic.

4.3 Lending by Micro-Credit institutions and performance of SSEs

Respondents were asked to rate the statements that sought to determine lending by micro-finance institutions and how it impacts performance of SSEs. A five point likert scale was used where

1= Strongly Disagree, **2**= Disagree, **3**= Not sure, **4**= Agree **5**= Strongly Agree. The results were summarized as in table 4.4.

Table 4.4 Micro-Credit institutions’ lending and its effect on performance

Statements	5	4	3	2	1	Mean	Std. Deviation
It provides capital to start a new business	90	50	5	0	0	4.92	.471
It provides capital to help solve a financial crisis during business operation	80	60	0	5	0	4.82	.465
It makes the company be able to rebrand and look attractive to the public	85	55	5	0	0	4.86	.468

Study findings indicated that, majority of the respondents strongly agreed with the statements that sought to determine micro-credit institutions’ lending and its effect on performance as per the mean values that ranged between 0.465 and 0.471. Specifically, majority of the respondents were generally in strong agreement that; lending by micro-finance institutions provides capital to start a new business. Lending by micro-finance institutions provides capital to help solve a financial crisis during business operation and it enables a company to be able to rebrand and look attractive to the public.

Interviews with the micro-credit managers and the employees revealed that lending SSEs in Kapenguria town has led to the growth of the SSEs in the region. They have been able to increase their business activities and generated more revenue as evidenced from their savings. As such, one of the managers had this to say,

Since we began lending small scale enterprises in the region, we have had a number of business proposals sent to us which we have actually approved for funding over the years. Since the *members have to deposit with us to qualify for loans, we have noticed that there is a steady increase in their saving capacity which we can attribute to increased revenues being generated.*

The findings concur with the findings of previous studies (Rubambey, 2001) which revealed that, improved access and efficient provision of savings, credits and insurance facilities in particular can enable the small firms to manage risk better; built assets gradually develop micro enterprises, enhance their income earning capacity and enjoy improved quality life. Micro finance institutions in Kenya should therefore incorporate more and more SSEs in their credit services. However they should also device ways of dealing with nonperforming loans.

4.4 Training after funding by Micro-Credit institutions

Respondents were asked to rate the statements that sought to determine the extent to which training after funding by Micro-Credit institutions affects performance of SSEs. A five point likert scale was used where **1**= Strongly Disagree, **2**= Disagree, **3**= Not sure, **4**= Agree **5**= Strongly Agree. Findings were summarized as in Table 4.5.

Table 4.5 Training after funding by Micro-Credit institutions and SSEs performance

Statements	5	4	3	2	1	Mean	Std. Deviation
It provides financial knowledge on saving, spending and investing practices	105	35	5	0	0	4.99	.661
It provides good management practices for earning	100	40	5	0	0	4.90	.665
It equips individuals with knowledge of keeping financial records	80	45	20	0	0	4.86	.565
It enables people develop debt management skills	80	50	15	0	0	4.92	.565

Study findings indicated that, majority of the respondents strongly agreed with the statements that sought to determine the effect of training after funding by Micro-Credit institutions on SSEs performance as shown by the mean values ranging between 4.86-4.99. Majority of the respondents therefore strongly agreed that; training after funding by Micro-Credit institutions provides financial knowledge on saving, spending and investing practices. Training after funding by Micro-Credit institutions provides good management practices for earning and it equips individuals with knowledge of keeping financial records and enables people develop debt management skills.

Findings from the interviews showed that, the micro-credit institutions trained their members on book keeping and inventory management practices. A senior employee at the credit section confirmed that it is their culture to train clients after funding them. In her own words, the employee noted that,

We have realised loan defaults happen as a result of improper book keeping practices and inventory control. This leads to poor financial performance and increased nonperforming loans.

These findings are in agreement with Gordon, (1992) who said that, training is a type of activity which is planned, systematic and it results in enhanced level of skill, knowledge and competency that are necessary to perform work effectively. This therefore implies that, training of SSEs owners is very essential. Micro-credit institutions should therefore train SSEs management after funding them to ensure that they engage the capital in profitable business activities. This will further enable them deal with the problem of nonperforming loans.

4.5 Influence of business savings after funding by Micro-Credit institutions on SSE performance

Respondents were asked to rate the statements that sought to determine the extent to which business savings after funding by Micro-Credit institutions affects performance of SSEs. A five point likert scale was used where **1**= Strongly Disagree, **2**= Disagree, **3**= Not sure, **4**= Agree **5**= Strongly Agree. Findings were summarized as in Table 4.6.

Table 4.6 Influence of business savings after funding by Micro-Credit institutions on SSE performance

Statements	5	4	3	2	1	Mean	Std. Deviation
It boosts business efficiency	100	30	10	5	0	4.90	.661
It develops individual's financial management ability	95	35	10	5	0	4.95	.675
It enables business owner achieve business objective	120	20	5	0	0	5.01	.865

Study findings indicated that, majority of the respondents strongly agreed with the statements that sought to determine the extent to which business appraisal after training by Micro-Credit institutions affects performance of SSEs as shown by the mean values ranging between 4.90-5.01. Study findings indicated that, majority of the respondents strongly agreed that; business appraisal after training by Micro-Credit institutions boosts business efficiency, develops individual's financial management ability and enables business owner achieve business objective. The technical aspect of appraisal is concerned with issues related to physical scale, layout, location of facilities, technology used, cost estimates and their relation to engineering or other data on which they are based, the potential impact on the human and physical environment, and a range of other similar concerns related to the technical adequacy and soundness of a project. Financial appraisal (investment appraisal) on the other hand is concerned with questions such as the adequacy of funds, the financial viability of the project, the borrower's ability to service debt, procedures for recovering investment and operating costs.

Findings from the interviews also revealed that managers and employees of micro-credit institutions also agreed that savings boost business performance. One of the employees noted that,

With savings, business owners are able to acquire loans, meet their financial obligations, expand their capital base and open new branches in other markets. We therefore monitor clients businesses and offer financial advice to ensure that clients benefit from the loans we give to them.

4.6 Saving services offered by Micro-Credit institutions

The researcher was keen to establish respondents' level of agreement concerning saving services offered by Micro-Credit institutions and how it impacts performance of SSEs. A five point likert scale was used where **1**= Strongly Disagree, **2**= Disagree, **3**= Not sure, **4**= Agree **5**= Strongly Agree. Findings were presented as in table 4.7.

Table 4.7 Saving services offered by Micro-Credit institutions

Statements	5	4	3	2	1	Mean	Std. Deviation
It provides financial protection from life life's misfortunes	**90**	**40**	**10**	**5**	**0**	4.70	.661
It provides guarantee for outstanding loans	**100**	**30**	**10**	**5**	**0**	4.95	.675
It enables building asset based for families	**100**	**40**	**5**	**0**	**0**	4.99	.865

Study findings indicated that, majority of the respondents strongly agreed with the statements that sought to determine saving services offered by Micro-Credit institutions and how it impacts performance of SSEs as shown by the mean values ranging between 4.70-4.99. Study findings indicated that, majority of the respondents strongly agreed that, saving services offered by Micro-Credit institutions, provides guarantee for outstanding loans and enables building asset based for families. These findings are in agreement with the findings of Rutherford, (2014) that most needs of SSEs are met through a mix of saving and credit. Rutherford explains a benchmark impact assessment of Grameen Bank and two other large microfinance institutions in Bangladesh where he found that for every $1 they were lending to clients to finance rural non-farm micro-enterprise, about $2.50 came from other sources, mostly their clients' savings. Savings are therefore important not only to SSEs but also to micro-credit institutions. Financial institutions should therefore encourage their clients to save a given percentage of their profits.

Managers and employees of micro-credit institutions indicated in the interviews that they offer savings services to clients. The purpose is to boost shares that will act as collateral for loan acquisition. Shares also can be used to repay bad debts as a result of members failure to honour their loan obligations.

4.6 Insurance services offered by Micro-Credit institutions

Respondents were asked to indicate the extent to which insurance services offered by Micro-Credit institutions affects performance of SSEs. A five point likert scale was used where

1= Strongly Disagree, **2**= Disagree, **3**= Not sure, **4**= Agree **5**= Strongly Agree. Findings were summarized as in Table 4.8.

Table 4.8 Influence of insurances services offered by Micro-Credit institutions on SSE performance

Statements	**5**	**4**	**3**	**2**	**1**	**Mean**	**Std. Deviation**
It provides a means of managing identified risks	**100**	**40**	**5**	**0**	**0**	4.90	.661
It is a way of reducing business related uncertainties	**90**	**40**	**10**	**5**	**0**	4.70	.661
It enables businessmen protect their properties	**95**	**35**	**10**	**5**	**0**	4.95	.675

Study findings indicated that, majority of the respondents strongly agreed with the statements that sought to determine the extent to which insurance services offered by Micro-Credit institutions affects performance of SSEs as shown by the mean values ranging between 4.70-4.95. Study findings indicated that, majority of the respondents strongly agreed that, insurance services offered by Micro-Credit institutions provides a means of managing identified risks. It is a way of reducing business related uncertainties and enables businessmen protect their properties.

From the interviews, managers and employees were in agreement that insurance services offered by micro-credit institutions boost SSEs in many ways. For instance, it enables SSEs shield themselves against risks, SSEs are able to meet their financial emergencies and SSEs are able to deal with uncertainties. One of the managers noted that his institution has a business section responsible for business insurance services. In this section, clients are advised of possible uncertainties that the institution is willing to take responsibility. In so doing, the manager noted that many businesses have benefited from this service and was financially stable.

Douglas (2009) and Sanusi (2004) asserted that running a business with basic insurance is a very smart way in managing the identified risk and reduces uncertainty and for a small business, its properties need to be protected since efforts to replace are more demanding on the business. This study suggests that SSEs in Kenya should utilize insurance services offered by micro-credit institutions. Insurance cover ensures that businesses meet their financial obligations, deal with calamities and able to achieve growth.

4.7 Performance of small scale businesses

Respondents were asked to rate the performance indicators of SSEs. A three point likert scale was used where **1**= Low, **2**= Average, **3**= High. Findings were summarized as in Table 4.9.

Table 4.9 Performance of small scale businesses

Statements	**Mean**	**Std. Deviation**
Sales volume	2.90	.661
Customer retention	2.70	.661
Customer satisfaction	2.95	.675
Market share percentage	2.77	.651
Product quality	2.85	.685

The study established that the enterprises' performance was good. This is seen from the mean values ranging between 2.70-2.95 which is close to 3. It can be deduced that, the enterprises recorded high sales volume, customer retention was high, high customer satisfaction, large market share and good quality of product.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of the study was to establish of micro-credit institutional services on the performance of small scale enterprises at Kapenguria, west Pokot Count, Kenya. This chapter presents the summary of the findings, conclusion and the recommendations of this study.

5.2 Summary of findings

The purpose of the study was to establish the influence of micro-credit institutional services on the performance of small scale enterprises at Kapenguria, West Pokot County. The study respondents included 4 management personnel of Micro credit institutions, 44 employees of micro credit institutions and 97 Small Scale Enterprise owners in Kapanguria town.

5.2.1 Lending by Micro-Credit institutions

The first objective of the study was to determine the influence of lending by Micro-Credit institutions on performance of SSE in Kapenguria town. Respondents were generally in strong agreement that; lending by micro-finance institutions provides capital to start a new business. Lending by micro-finance institutions provides capital to help solve a financial crisis during business operation and it enables a company to be able to rebrand and look attractive to the public **as** per the mean values that ranged between 4.65 and 4.71.

5.2.2 Training after funding by Micro-Credit institutions

The second objective of the study was to determine the influence of training after funding by Micro-Credit institutions on performance of SSE in Kapenguria town. Majority of the respondents strongly agreed that; training after funding by Micro-Credit institutions provides financial knowledge on saving, spending and investing practices. Training after funding by Micro-Credit institutions provides good management practices for earning and it equips individuals with knowledge of keeping financial records and enables people develop debt management skills as shown by the mean values ranging between 4.86-4.99.

5.2.3 Influence of business savings after funding by Micro-Credit institutions on SSE performance

The third objective of the study was to establish the influence of business savings after funding by Micro-Credit institutions on SSE performance in Kapenguria town. Study findings indicated that, majority of the respondents strongly agreed that, saving services offered by Micro-Credit institutions, provides guarantee for outstanding loans and enables building asset based for families as shown by the mean values ranging between 4.70-4.99.

5.2.4 Influence of insurances services offered by Micro-Credit institutions on SSE performance

The fourth objective was to determine the extent to which insurance services offered by Micro-Credit institutions affects performance of SSEs. Study findings indicated that, majority of the respondents strongly agreed that, insurance services offered by Micro-Credit institutions provides a means of managing identified risks. It is a way of reducing business related uncertainties and enables businessmen protect their properties as shown by the mean values ranging between 4.70-4.95.

5.2.5 Performance of small scale businesses

The study established that the enterprises' performance was good. This is seen from the mean values ranging between 2.70-2.95 which is close to 3. It can be deduced that, the enterprises recorded high sales volume, customer retention was high, high customer satisfaction, large market share and good quality of product.

5.3 Conclusion

Based on the findings, it can be concluded that; services provided by the Micro-Credit Institutions include savings, credit, insurance and training. Also, Micro-Credit Institutions are recognized as an effective tool to business development by providing lending services to SSEs who do not have access to or are neglected by the commercial banks and financial institutions Small business properties need to be protected since efforts to replace are more demanding on the business. This is why business property insurance is also necessary. Thus, it is important to run a business with basic insurance which is a very smart way in managing the identified risk and reduces uncertainty.

5.4 Recommendations

The study made the following recommendations.

i. Micro-Credit Institutions should diversify their services to include other services like training in book keeping, SSEs employee training and risk management practices

ii. Micro-Credit Institutions should enact regulations that are friendly to SSEs so as not to lock them out from accessing credit. At the same time, they should deal with the problem of nonperforming loans by fully utilizing the services of Credit Reference Bureaus.

iii. SSEs should save a substantial amount of their profits for future use. This will ensure that they face difficult moments and are able to sustain their performance.

iv. SSEs should insure themselves against risks that can adversely affect their operations. The premiums paid will also be invested by the Micro-Credit Institutions thus enabling them grow their asset base. Micro-Credit Institutions was able to increase their lending capacity to SSEs.

5.5 Recommendations for further research

This study recommends the following areas for further research;

i. Researchers should conduct similar studies in other parts of the country to determine the consistency of the findings.

ii. Further research should be done on factors influencing performance of micro-credit institutions in Kenya

iii. Further research should also be done on challenges facing small scale enterprises in Kenya

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APPENDICES

APPENDIX I: RESEARCH PERMIT

CONDITIONS

1. You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit
2. Government Officers will not be interviewed without prior appointment.
3. No questionnaire will be used unless it has been approved.
4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.
5. You are required to submit at least two(2) hard copies and one(1) soft copy of your final report.
6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice

REPUBLIC OF KENYA

NACOSTI

National Commission for Science, Technology and Innovation

RESEARCH CLEARANCE PERMIT

Serial No. A 5941

CONDITIONS: see back page

THIS IS TO CERTIFY THAT:
MR. EVANS OOGA MONGERI
of UNIVERSITY OF NAIROBI, 6168-30100
eldoret,has been permitted to conduct
research in *Westpokot County*

Permit No : NACOSTI/P/15/3748/6769
Date Of Issue : 24th July,2015
Fee Recieved :Ksh 1,000

on the topic: *INFLUENCE OF MICRO-CREDIT INSTITUTIONAL SERVICES ON THE PERFORMANCE OF SMALL SCALE ENTERPRISE AT KAPENGURIA TOWN, WEST POKOT COUNTY, KENYA*

for the period ending:
4th December,2015

....
Applicant's Signature

....
Director General
National Commission for Science, Technology & Innovation

APPENDIX II:

RESEARCH QUESTIONNAIRE FOR MANAGEMENT OF MICRO FINANCE INSTITUTIONS

1. Gender

Male [ ] Female [ ]

2. Age

Below 30years [ ] 31-40 years [ ] 41-50 years [ ] above 51 years [ ]

3. Level of education

Primary [ ] Secondary [ ] College [ ] University [ ] other specifications......................

4. To what extend do you agree with the following statements regarding lending by Micro-Credit institutions on performance of SSE in Kapenguria town?

Key; Strongly Disagree, 2= Disagree, 3= Not sure, 4= Agree 5= Strongly Agree. Findings were summarized as in Table 4.5.

Statements	**5**	**4**	**3**	**2**	**1**
It provides capital to start a new business					
It provides capital to help solve a financial crisis during business operation					
It makes the company be able to rebrand and look attractive to the public					

5. To what extend do you agree with the following statements regarding training after funding by Micro-Credit institutions on performance of SSE in Kapenguria town?

Key; Strongly Disagree, 2= Disagree, 3= Not sure, 4= Agree 5= Strongly Agree

Statements	**5**	**4**	**3**	**2**	**1**
It provides financial knowledge on saving, spending and investing practices					
It provides good management practices for earning					
It equips individuals with knowledge of keeping financial records					
It enables people develop debt management skills					

6. To what extend do you agree with the following statements regarding business appraisal after training by Micro-Credit institutions on SSE performance in Kapenguria town?

Key; Strongly Disagree, 2= Disagree, 3= Not sure, 4= Agree 5= Strongly Agree

Statements	**5**	**4**	**3**	**2**	**1**
It boosts business efficiency					
It develops individual's financial management ability					
It enables business owner achieve business objective					

7. To what extend do you agree with the following statements regarding saving services offered by Micro-Credit institutions on SSE performance in Kapenguria town?

Key;1 Strongly Disagree, 2= Disagree, 3= Not sure, 4= Agree 5= Strongly Agree

Statements	**5**	**4**	**3**	**2**	**1**
It provides financial protection from life life's misfortunes					
It provides guarantee for outstanding loans					
It enables building asset based for families					

8. To what extend do you agree with the following statements regarding insurance services offered by Micro-Credit institutions on SSE performance in Kapenguria town?

Key; 1=Strongly Disagree, 2= Disagree, 3= Not sure, 4= Agree 5= Strongly Agree

Statements	**5**	**4**	**3**	**2**	**1**
It provides a means of managing identified risks					
It is a way of reducing business related uncertainties					
It enables businessmen protect their properties					

9. Given the indicators of performance, how can you rate them with respect to your own enterprise?

Statements	**High**	**Average**	**Low**
Sales volume			
Customer retention			
Customer satisfaction			
Market share percentage			
Product quality			

APPENDIX III:

INTERVIEW SCHEDULE

1. What is the influence of lending by Micro-Credit institutions on performance of SSE in Kapenguria town?

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2. What is the influence of training after funding by Micro-Credit institutions on performance of SSE in Kapenguria town?

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3. What is the influence of business appraisal after funding by Micro-Credit institutions on SSE performance in Kapenguria town?

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……

4. What is the influence of saving services offered by Micro-Credit institutions on SSE performance in Kapenguria town?

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……
……

5. What is the influence of insurance services offered by Micro-Credit institutions on SSE performance in Kapenguria town?