THE INFLUENCE OF EQUITY BANK INCLUSIVE FINANCIAL SERVICES ON PERFORMANCE OF SMALL & MEDIUM ENTERPRISES IN NAIROBI, KENYA

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT FOR THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF SCIENCE (MSc) IN ENTERPRENEURSHIP AND INNOVATIONS MANAGEMENT, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

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DECLARATION

Student's Declaration

This research project is my original work and has not been presented in any other University or institution of higher learning for any academic award.

Signed…………………………………………… Date …………………………………..

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D66/64662/2013

Supervisor's Declaration

This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This research project is dedicated to my family. Heartfelt gratitude to my loving wife Tunda for love and unrelenting support. To my son Pararia and my daughter baby Nadine for your genuine innocence always. To my brother Simon, you are a blessing and a source of motivation.

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ABSTRACT

Small and Medium Enterprises (SMEs) have played a vital role in modern economies and have had a great influence in the development of those economies. SMEs majorly rely on banks and other financial institutions for funding. However, these businesses are still classified as risky since some of them rarely meet the conditions required by the financial institutions while some fail to present a security guarantee or any supportive information about their ability to meet their obligations. The huge contribution of SMEs business has necessitated financial institutions especially the banks to extend both credit and non-credit services.

Commercial banks have recognized the unique challenges faced SMEs by offering relationship banking which focuses on meeting the customers' needs that caters for both credit financial services and non-credit financial services. Among these include credit facilities, inculcating saving culture, business training and coaching and business clinics among other services.

The study focused on the influence of Equity Bank inclusive Financial Services (Both credit and non-credit services) on profitability as a measure of performance of SMEs located Nairobi. The study used questionnaires as the primary data collection tool. Descriptive statistics and regression analysis was conducted to determine the relationship between the variables. The study has shown that these inclusive financial services offered by Equity bank influenced the performance of the SMEs positively. The study further recommends the action to be taken by policy makers to ensure there are Inclusive Financial Services and how banks can customize services to meet the needs of customers. The study also provides suggestions for further research.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Small and Medium Enterprises (SMEs) have played a very importance role in modern economies which has had a great influence in the development of those economies (Jalilian and Kirkpatrick, 2005). Such significant impact of the SMEs on the overall national development has seen Nations and International Societies including International Monetary Fund (IMF), International Finance Corporation (IFC) and the World Bank formulate policies that majorly focused on barriers that relate to access of loans. In May 2012, for instance, the International Finance Corporation (IFC) extended to Equity Bank US$100M (One Hundred Million US Dollars) loan, an equivalent of Kenya Shillings 8.3 billion in support of SMEs and agricultural driven projects. Previous studies have shown that SMEs is a conduit for economic development of nations. Kihuro (2010) as cited in Mbithe (2013), states that SMEs constitutes a majority of 90% of businesses in Africa, against 10% constituted by big corporates. Further, this represents a 50% of the employment rate and consequently resulting to a significant contribution to over half of the economies GDP.

While access to affordable loans still persists as a challenge for, there has been little emphasis on usage of professional business consulting services SMEs (Beck and Demirguc-Kunt, 2006). These services add value to the general profitability and performance of SMEs and have been the target of Inclusive Financial services (IFS) by leading financial institutions. Despite of the contribution of SMEs towards innovations, employment creation and income generation and hence the growth of the Gross Domestic Product (GDP) of economies, their full potential is not realized owing to inadequate financial inclusion services. The disadvantage of non-comprehensive financial inclusion is further compounded by market dynamics of globalization and liberalization. The focus of businesses on continuous improvement through innovations for sustainable developments and hence strengthening their competitive advantages has seen SMEs attach great importance on obtaining and conversion of information into value resulting to knowledge-based production. Inclusive financial services providers thus capitalize on deep knowledge to help SMEs maximize their value while dealing with the challenges that they experience including management of growth, lack of clear structures and successions plans and hence sustainability. A commonly used management tool for managing SMEs is the Balance Score Card (BSC) with four broad perspective. These perspectives are financial, business process, customer, and learning & growth (Kaplan and Norton, 1996). The BALDRIGE model is also a powerful tool of measuring organizational performance. This model focuses on measures such customer performance, performance of products and services, competitive performance, financial costs etc. These measures are indicators of quantifiable aspects of services, products and processes utilized by businesses to continuously measure and improve their production (Samson and Terziovski, 1999).

This study will be informed by Resource Based Theory (RBT) and Environment Dependency Theory (EDT). Resource Based Theory posits that the competitive advantage of a firm lies primarily in the application of a collection of resources (valuable tangible or intangible) at the firm's control (Musandu, 2014). This theory contends that for a firm to achieve a competitive edge it must use all its resources more effectively and efficiently relative to competitors with similar or substitute resources (Grant, 1991). Fundamentally, the strategic resource (Assets) should be valuable, non-replicable, rare and non- exchangeable (Mahoney and Pandian, 1992). EDT suggests that Business are open systems that are significantly affected by changes in the rather dynamic external environment. The macro environment, also called the societal environment comprises of a number of forces i.e. societal factors, political-legal forces, social-cultural factors, economic forces and technological advancement (Chittithaworn et al. 2011). These force influence decision making and strategic planning to ensure that firms remain competitive (Hunger and Wheelen, 2003).

The major focus of this study will, therefore, be on SMEs that have benefited from Equity Bank IFS in Nairobi. The benefits obtained will be assessed as measured by improvement on the performance of the SMEs and their profitability through services such as Credit Facilities (Loans), financial management training, leadership, coaching & mentorship, networking & marketing.

1.1.1 Inclusive Financial Services

Inclusive Financial Services refers to Services that are extended to business setups at different stages of their growth and development. (Helms, 2006). These services comprise of both credit facilities and non-credit services. Inclusive financial services are aimed at ensuring SMEs assume a high performance path. An array of financial services offered by financial institutions include tailor-made credit facilities through various loan products to SMEs. Non-credit financial services offered include consultancy and advisory service, financial management training, business planning, leadership coaching and mentorship, networking and marketing, change management, succession planning, business clinics etc. Non-credit services, therefore, comprise services that support and develop SMEs to effectively face challenging business environment (Anton 2003).

While SMEs have traditionally encountered the problem of access to finances, efforts by providers of finances such as banks and micro-finances have tremendously resulted in financial inclusion and financial deepening while working with international organizations (Ardic, Heimann and Mylenko, 2011).

The concept of IFS goes beyond risk assessment and availing loans to SMEs to ensuring that SMEs are advised on the proper use of the funds so obtained as well as monitoring to ensure that debt financing does not become counter-productive thus leaving the SMEs worse off. Inclusive financial services, therefore, as provided by the financial institutions help in financing business ventures as well as help in hedging risks subsequent to obtaining funds thus ensuring that the SMEs develop and that banks obtain value for the loans. This is because the costs associated with administering and monitoring credit services are quite high. The loan value required by people in this SMEs is low hence proportionally low revenue is generated from the loans (Mudiri, 2003).

1.1.2 Organization Performance

The actual output measured against the intended goals or objectives shows how an organization has performed (Hoque and James, 2000). It relates to integration of all parts of the organization in value delivery to the clients. A good organizational strategic plan is the one that wholly supports the translation of vision into implementation leading to a high firms' performance and hence a competitive advantage (Kaplan and Norton, 1996). Kaplan and Norton advocated for the BSC as an effective tool for managing organizational performance. They advocated for four perspectives namely financial, business process, customer and learning and growth which form the fundamental areas that if well designed and implemented, lead to increased performance. The BSC framework helps firms to define their Vision, mission, stretch goals and overall company strategy and turn them into goals that are operational and capable of directing success and behavior (Wongrassamee, Simmons and Gardiner, 2003). Kaplan and Norton (1996) state that as an effective performance management tool, the BSC allows an organization to adopt winning approaches, hence converting them into action plans necessary for implementation, control and monitoring over a specific period of time.

Another management tool used in organizational performance is the BALDRIGE model. The concept is productivity based, through enhanced measurements (Evans and Jack 2003). The purpose of measurements so obtained is to aid the managers in understanding the position of the business and hence assist in making long-term decisions. The measurements obtained include customer performance, performance of products and services, competitive performance, financial costs as indicators aimed at tracking improvement (Samson and Terziovski, 1999). Baldrige model identifies income from sales, customer-based results, financial results and evaluation of human resource results as suitable benchmarks for measuring organizational performance (Neely, Gregory and Platts, 1995).

1.1.3 Small and Medium Enterprises

Small and Medium Enterprises (SMEs) differ with the type of study, size of the economy and the purpose for the classification as defined in the given countries. United States classification is based on yearly revenues and employees population. Japan categorizes SMEs on employee population and amount of money received from the shareholders. (Tagoe, Nyarko and Amarh, 2005). The European Union (EU) categorizes SME’s by working population; Medium businesses having a work force of up to 250 employees, Small ones employing up to 50 staffs while micro with less than 10 personnel. In Kenyan, SMEs is a companies with yearly revenue of up to Ksh. 50Million and/or with a work force of 6-50 persons. (Kihuro, 2010). SMEs with a population of less than 10 staff are small companies while Medium has a workforce of up to 10 persons. (Government of Kenya 2012). The Institute of Certified Public Accountants, Kenya (ICPAK,

2014) refers an SME as a company or a business whose shares are not listed in equity or stock market. The differences in the use of the terminology poses a challenge in studying and addressing the problems faced by SMEs (Kilonzi, 2012). This study will adopt Equity Bank's definition. According to Equity Bank credit policy (2007), SMEs are defined with reference to annual sales turnover, number of employees, asset base and total exposure on borrowings.

1.1.4 Equity Bank Financial Services on Small and Medium Enterprises

Equity Bank is a financial institution with its roots in Kenya. Its products and services cutting across individual in bottom of pyramid, SME, corporate and high net worth clientele. It has African footprint through its presence in all East African counties most recently has entered Democratic Republic of Congo (DRC). Being a public company its shares are traded in Nairobi stocks, Uganda market and most recently in Rwanda stock market. Equity Bank refers to Small enterprises as business with annual sales turnover of Kshs. 5million to 50Million, 5 to 50 employees, Kshs. 10million to 50 Million worth of asset base and total consolidated borrowing exposure of Kshs. 1million to 10 Million. On the other hand Medium Enterprises are business with annual sales turnover of Kshs. 51 million to 500 Million, 51 to 100 employees, Kshs 51 million to 500 Million worth of asset base and total consolidated borrowing exposure of Kshs 10 to 100Million. Equity Bank service are cultivated through ease of access, suitability and adaptability thus enhancing SMEs performance. Equity Bank implements the Financial Knowledge for Africa (FiKA) program with its strategic s benefiting over 306,000 people. The program targets women and youth. FiKA provides recipients with greater financial opportunity. The program also it provides financial advisory services to grow, strengthen and develop participants micro businesses.

The focus of Equity bank is motivated by the massive contribution not only to the growth of the bank, but the economy as a whole. SMEs with Equity Bank accounts for 72% of loans portfolio compared to 24% in the Banking industry. This in return contributes more than any other sector in banks profitability through interest income and other commissions. SMEs include businesses in textile industry, finance, manufacturing, security, transport services, food and hotels to mention a few. With SMEs contributing to 90% of the businesses in Africa and over 50% of the employment rate (Kihuro, 2010), Development finance institutions (DFIs) such as African Development Bank (AfDB) has advanced facilities with favorable conditions for onward lending to SMEs however, SMEs still remain risky venture for these financiers. Hence, the need to focus on IFS such as training, monitoring and general BDS. In a nutshell, the goal of an Inclusive Financial Services by leading institutions such as Equity Bank is to go beyond making funds accessible to SMEs by ensuring that there is financial literacy aimed at knowledge dissemination.

1.2 Research Problem

SMEs majorly rely on banks and other financial institutions for funding. However, these businesses are still classified as risky since some of them rarely meet the conditions required by the financial institutions while some fail to present a security guarantee or any supportive information about their ability to meet their obligations (Hughes, 1997). The huge contribution of SMEs business has necessitated financial institutions and especially the banks to extend Inclusive Financial Services to SMEs. Bank financial services offered have been influential in ensuring the growth and sustainability of SMEs (Hallberg, 2000). The services range from credit to non-credit (Mambula, 2002). Financial institutions should extend credit to SMEs at favorable terms and the relationship between SMEs and Banks should go beyond credit provision (De la Torre, et al 2010). The Bank positions itself as a provider of inclusive financial services that go towards transforming lives, dignifying people and expanding possibilities. In this spirit, the bank offers both credit financial services and non-credit financial services such consultancy and advisory service, financial management training, business planning, leadership coaching mentorship, networking and marketing, succession planning, change management and business clinics. The focus of Equity bank is motivated by the massive contribution not only to the growth of the bank, but the economy as a whole. SMEs in Equity Bank accounts for 72% of loans portfolio compared to 24% in the banking industry. This in return contributes more than any other sector in banks profitability through interest income and other commissions. SMEs include businesses in cloth & textile industry, finance and intermediaries, manufacturing & processing, transport & logistic services, food and hotels to mention a few. SMEs in their Value chain contributes further directly and indirectly to Equity Bank Customer wallet share. SMEs contributing to 90% of the businesses in Africa and over 50% of the employment rate (Kihuro, 2010).

Studies have centered on the impact of credit facilities (specifically loans) on the development and performance of SMEs in an economy. Kibas (1995) in an empirical study to determine the impact of credit advanced to SMEs for development. Results showed positive changes in annual revenues, income and company assets. An almost similar study by Ng'ethe (2014) focusing on top One Hundred (100) SMEs return on investment in relation to products and services offered by banks in Kenya concluded that banks provide various services which are used by the SMEs in order for them to grow. The importance of SMEs has led to banks having dedicated sections for SMEs so that their needs can be well attended to. Bbenkele (2007) in a study to investigate SMEs awareness towards products and services extended by South Africa banks concluded that there is lacks awareness leading to poor negotiations with banks. This implies that organizations do not enjoy the full advantage of Inclusive Financial Services (IFS). The study above focuses on provision of credit financing and not on IFS.

This study therefore seeks to establish the influence of Equity Bank Inclusive Financial Services on performance of SMEs in Nairobi, Kenya. Little has been studied on the overall effect of IFS on the SMEs.

1.3 Research Objective

The objective of this study is to establish the influence of Equity Bank Inclusive Financial Services on performance of SMEs in Nairobi, Kenya.

1.4 Value of Study

The study will be important to Equity Bank in providing useful insights of influence of its IFS on SMEs. Such understanding will be key to the bank in further enhancing its services for the growth and increased performance for the SMEs.

Other lending institutions will find it helpful to understand relationship management perspectives with the SMEs that will lead to increased wallet share.

Policy makers such as the Government through agents such as the Central Bank may use the findings in formulation of policies and the operating frameworks for instance through stating the minimum level of services that institutions should offer to clients in order to ensure sound business operations.

Lastly, this study will be helpful in adding to the existing knowledge on influence of IFS on the SMEs.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covers theoretical foundation of the study, various types of inclusive financial services, Measures of organization performance and empirical literature on relationship between Inclusive financial services and organization performance.

2.2 Theoretical Foundation of the Study

This study is informed by Resource Based Theory and Environmental Dependence Theory.

2.2.1 Resource Based Theory

This theory contends that the firm's gains competitive advantage through how well it uses the available strategic resources (Musandu, 2014). These tangible and intangible strategic resources include exclusive rights, tools, investment, and employee competencies. The theory explains how a firm should combine its available resources internally to ensure sustainable competitive advantage. Consequently, the causal relationship among firm performance, firm resources and production capability can be demonstrated in a logical explanation Perirose (2007). Concerned with the efficient and innovative use of resources, Perirose (2007) holds that a company is capable of using its assets to improve its performance regardless of the heterogeneity displayed by firms operating in the same industry. According to this theory, the resources in question must possess specific characteristics (Barney, 1991). For instance, they must be valuable otherwise will lead to a competitive disadvantage. Also, resources must be rare for a firm to enjoy the advantages of competitive uniformity. Moreover, they must be non-imitable in order to discourage substitution and hence ensure sustained competitive advantage. Distinctive non–substitutable resources, expensive and require unique competence or change of philosophy in a firm. The theory however, presents the question of the organization itself since the resources themselves cannot achieve sustained competitive advantage (Mahoney and Pandian, 1992). These strategic resources are beneficial if an enterprise competitively utilizes them (Barney, 1991). Sustained competitive advantage can only be achieved by an organization that is able to fully use these strategic resources.

The relevance of this theory in the study is demonstrating how financial institutions can offer Inclusive Financial Services to their clients that will ensure that beyond credit financial services, the SMEs are able to differentiate their performance through optimization of the resources that they control and which represent a bundle of distinctive competencies (Conner, 1991). From SMEs perspective, access to IFS from their banks forms a strategic resource that can help them realize strategic core and distinctive competencies. A combination of financial services that can help SMEs optimize their resources may include effective governance, robust systems and technology, intellectual competences, Strategic partnerships and collaborations (Feeny and Willcocks, 1998).

2.2.2 Environmental Dependence Theory

Businesses are open systems that are affected significantly by changes in the rather dynamic external environment. The macro environment, referred also as societal environment comprises of a number of forces (Hunger and Wheelen, 2003). This poses a challenge to SMEs since these changes are sometimes unpredictable. Changes in the business external environment therefore, affect the management strategies significantly and hence the performance of the enterprises (Genus 1998). The external forces that influence organization and business strategies include political & legal, economic forces, social-cultural factors, technological dynamism and societal factors (Chittithaworn et al. 2011). These variables in business environment requires management to anticipate their possible influence on business activities (strategies).

The relevance of this theory in the study is to further demonstrate the value of IFS on the SMEs in the sense that business financiers should go beyond availing credit to the business and monitor through programs such as management training and coaching. This is because the dynamism experienced in the business environment dictates that circumstance are likely to change in an unpredictable former. Hence, such services would help the SMEs adopt an adaptive strategic plan as opposed to reactive responses in order to manage shocks thus preventing financial crises and sometimes business failure.

2.3 Inclusive Financial Services

Inclusive Financial Services refers to product and services that are extended to entrepreneurs venture idea conception and development, start-up, growth and maturity. They include both credit financial services and non-credit financial services. (Helms, 2006).

2.3.1 Credit Financial Services

Access to credit is important in boosting the liquidity of businesses. SMEs require credit facilities for their day to day operations and long term growth (Rukwaro, 2011). Similarly Gatune (2002), concluded that most SMEs use credit (loans) facilities as working capital. New ventures Growth and sustainability is restricted by inadequate funds for operations (Cabral and Mata, 2003). Certain amount of collateral or security guarantee is however required for both formal and informal sources of credit facilities. This requirement presents the greatest constraint for SMEs, both existing and startups in access of credit facilities. In addition, the requirement of guarantors by financial institutions sometimes hinders access of credit by SMEs. The relationships created between financial institutions and SMEs enable their easy access to credit facilities. Long-term relationships of financial institutions and SMEs help in understanding the businesses and hence reduced inherent risk and cost of credit (Hainz, 2003).

In financing startups business and enlarging the scale of operations for SMEs, commercial banks and other financial institutions provide a variety of credit facilities with competitive interest rate to support business growth. Business development would require sufficient working capital in form of overdraft and demand loan. The benefits accrued through working capital loans differ from different banks but may include calculations of payable interest based on reducing loan balance and better cash management method which may lead to increased profitability (Gill, Biger and Mathur, 2010). Financiers also provide investment loans to SMEs in addition to working capital. These facilities help the SMEs meet their investment needs such as acquisition of machinery, buildings, motor vehicles etc. Asset financing facilities where a business uses its balance sheet assets, including short-term investments, accounts receivable and inventory or stock in order to borrow money or get a loan. The borrower must provide the lender with security interest in form of assets (Mutesasira Osinde and Mule, 2001).

2.3.2 Non-Credit Financial Services

These include a range of non-credit services that financial institutions offer to SMEs through the different stages of their business cycle. These services are aimed at supplementing the credit facilities to ensure that customers can grow their business, manage finances and changes as presented by developments in external environment such as technological changes and in management of the businesses to ensure sustainable competitive advantage. The range of such services include, advisory services that comprise workshops, best practices, liquidity management, data aggregation, various management services, strategic business position and risk assessment objectives. The services bring together various supplies and distributors, market players, government and regulator in order to create strategic partnerships for SMEs (Bennett and Robson, 1999). Financial literacy and business management programs are implemented to help the SME business appreciate methods that help them realize the value for their money (Braunstein and Welch, 2002).

The trainings target specific groups such as women and youth. FiKA, an Equity Bank program provides recipients with greater financial opportunity. The program also provides financial advisory services to grow, strengthen and develop participants' microbusinesses. The Financial institutions understand that the success of a business is not assured by provision of credit facilities only but the success is built on a great business idea and sound strategy. Business plans submission is important in order to assess their attractiveness, sustainability and marketability. Business planning ensures risk assessment and mitigation by lenders and also support the SMEs journey to success (Jasra et al. 2011). The aim of leadership, mentorship and coaching of businesses is to ensure that SMEs grow, develop and acquire new skills through advice of the experts (Gray and Goregaokar, 2007).

Coaching and mentoring programs, networks and market linkages ensure that the goals and functions of the SMEs are in line with financier's expectations for mutual benefit of both the bank and the SMEs. This is achieved through creation of a number of different working network models which have a relevance to the customers of the particular SMEs. The institutions can create business networks for their customers (SMEs) through random referral economy or strategic business networking (Gilmore and Carson, 1999). Financial institutions keen on how SMEs manage change avail them with a systematic approach for dealing with developments in and out of business set up. The major focus of the financial institutions is on how the SMEs prepare and adapt to change, control change and effect change accordingly in order to define and implement a process, procedure and dynamic technology (McAdam, Stevenson and Armstrong, 2000). The goal of a financial institution in assisting SMEs in managing change is to ensure that the businesses remain competitive and minimize risks associated with lending to the SMEs.

2.4 Measures of Organizational Performance

The ultimate objective of performance measurements is to ensure feasibility of operations while acting as a control tool to deal with adverse changes. This helps in determining effective strategic management, finding areas of improvement, potential areas for partnerships and collaboration (Venkatraman and Ramanujam, 1986). SMEs profitability is measured by different indicators such as sales volumes or growth in turnover, increase of employment, growth in asset value, control in market share, and profits among other parameters. These can be expressed in different aspects of profitability (Venkatraman and Ramanujam, 1986).

Measuring growth in revenue in business performance is important because it indicates the expansion potential of the ventures. In addition, growth in total assets and growth in sales volumes indicate potential of the economies of scale and scope (Kaplan and Norton, 2005). Organization growth is and indicator of how well a business relates to its environment by successfully expanding its products and market share (Dess and Robinson, 1984). Growth expressed as a percentage indicates the success of a business compared to its competitors. A strong relationship exhibited between the ROI and market share makes this parameter a suitable measure of the performance of SMEs. (Buzzell, Gale and Sultan, 1975). The higher the market share, the greater the brand awareness in its operations (Anderson, Fornell and Lehmann, 1994).

Customer retention rates signify brand loyalty and product quality which ultimately guarantees success of a business venture (Ittner and Larcker, 1998). Moreover, long-term customer relationship and retention lead to increased profitability of the business venture (Anderson, Fornell and Lehmann, 1994). Customer satisfaction level analysis can be analyzed through direct measures involving customer survey and gathering information on their opinions regarding topics such as company's products or through indirect processes such as market share and customer retention (Garengo, Biazzo and Bititci, 2005).

2.5 Relationship between Inclusive Financial Services and Organizational Performance

Anton (2003) studied the challenges experienced by SMEs in Europe through analysis of financial services extended to indigenous markets. The results revealed that SMEs in Europe experience inadequate non-credit services and credit facilities besides operating in unfavorable environment especially during the long period of non-market economies. The review showed that SMEs contribute to a great extend in employment creation. From the analysis, it was evident that SMEs are constrained by either lack of credit facilities or non-credit services effectively denying them ability to attain higher performance despite their access to funds (Anton 2003). The analysis further notes that despite suppliers such as governments and international donor agencies efforts to support SMEs through training, information, consultancy and advisory, business planning, technology, communications, marketing and other business support services lack of sufficient data and research on the role of such support and development services means that their effects have been invisible. Availability of extensive credit facilities and a wide-ranging non-credit services should be given a considerable research. Buckley (1997) in his study established there was minimal proof to show access to credit has any significant influence on

SMEs performance. Green Kirkpatrick and Murinde (2006), access to credit and markets must be coupled by re-engineering of enterprises in entirety through changes in systems and technology. This can be availed through training and coaching, mentorship and advisory services to SMEs.

Ng'ethe (2014) while focusing on top One hundred (100) SMEs profitability in relation to products and services offered by banks in Kenya concluded that banks provide various services which are used by the SMEs in order for them to grow. The importance of SMEs has led to banks having dedicated sections for SMEs so that their needs can be met. The results of the study showed that the performance of SMEs as indicated by the profitability measured in terms of Return on Asset (ROA) was influenced by assets, monthly average savings, debt-equity ratio and training. In addition, the study concluded that the profitability of SMEs was not affected by amount of loan advanced. Use of SMEs training as one of the independent variables as well as the conclusions about the amount of loans accessed makes this study relevant. Makori (2013) carried out a study on challenges and strategies of SMEs in industrial area of Nairobi. The study sought to understand how SMEs manage the challenges they face in employing various strategies. Data acquired from a stratified random sampling of 50 businesses and collected using questionnaires was analyzed descriptively using MS Excel and presented using percentage tables. The study established that success of a SME business, relevant training and education had a positive relationship. The study further concluded that the success of a business was a consequence of application of several strategies including superior customer service, continuously improving quality of goods, effective marketing arrangement, effective service delivery and use of security firms which are collectively referred in this research as Inclusive Financial Services. Wambua and Mugambi (2013) carried out a study on performance of SMEs as influenced by multiple banking in Mombasa, focused on diversity of product and services offered by banks such as multiple bank credit facilities and diversity of relationship banking. The Study used a sample of 258 SMEs and entailed interviewing business owner managers or proprietors. The dependent variable were represented by the SMEs' net asset value, growth and profitability. From the study, relationship banking which emphases on meeting the Bank customers' needs with a complete package of facilities such as deposits, cash and liquidity management and money market investments improves bank's profitability through increased customer loyalty while adding value to the customer.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter summarizes the general research methodology adopted by this study. It highlights methods that were adopted by the researcher with the objective of providing valid and objective answer to the research questions when collecting and analyzing data. This section includes research design, target population, adopted sampling strategy for the study, data collection tools and methods, methods of data analysis and inference approaches of presentation of the study findings.

3.2 Research Design

A Research design refers to the general plan which provides a framework for the choice of techniques used for data collection as well as procedures for analysis (Bryman and Bell, 2007). The study used descriptive cross-sectional research design to establish the influence of Inclusive Financial Services (IFS) on the performance of SME's in Nairobi, Kenya. Mugenda and Mugenda (2008), expounds descriptive research design as a systematic collection and analysis of data from discrete groups differentiated along the variable of interest, but possesses shared features defined by social, political and economic status environment. Descriptive research can thus, be applied in order to explain issues regarding a program, proposal or activity. Descriptive cross-sectional study was ideal for the study as it is used to analyze different businesses and descriptive information regarding the business.

3.3 Target Population

Target population represents all the items under study and for which generalizations and conclusions are made. According to Mugenda and Mugenda (2008), target group bears similar physical characteristics. The focus was 500 SMEs in Nairobi which have enjoyed IFS from Equity Bank over a three (3) year period from 2013 to 2015.

3.4 Sampling and Sample Size

A sample refers to a small group obtained from the accessible population (Mugenda and Mugenda, 2003). The study assumed a stratified simple random selection with a target of 73 SMEs which represents 15% of the population. A sample of between 10% and 30% of a total population is considered sufficient. (Mugenda & Mugenda, 2003). The SMEs were divided into separate groups (strata) i.e. light manufacturing, commercial & trading and services. Simple random technique was then used to pick samples from each stratum where numbers assigned to the SMEs are picked randomly. The technique was used to obtain data from SMEs in Nairobi while targeting the managers of the specific SMEs

Table 3.1 Target Population and Sample Size

Type of SME	Population	Percentage	Sample size
Commercial & Trade	193	15%	28
Services	169	15%	25
Light manufacturing	138	15%	20
Total	**500**		**73**

(Research data)

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3.5 Data collection

The study utilized primary data collection method. Structured questionnaires with closed questions were used to capture data. Business managers for SMEs were targeted with the questionnaires. The questionnaires were divided into six sections. Section A gathered demographics about the business, section B gathered data on credit facilities, section C collected information about savings, section D focused on training, section E collected data on coaching and business clinics while section F focused on business performance.

3.6 Data Analysis

This stage involved data capture, processing, cleaning and tabulation. Descriptive statistics (frequencies and percentages) were conducted on the data so obtained. Statistical package for social science (SPSS) and MS Excel packages were used for the data analysis such as the linear regression that used to determine the relationship that existed between the variables depicted by the model below.

$y = \alpha + \beta 1\ X1 + \beta\ 2\ X2 + \beta\ 3X3 + \beta\ 4X4 + \varepsilon$

Y= SMEs performance measured by the profitability expressed as Return on Asset (ROA) in a particular year.

Where;

ROA= Annual Net Income/Average Total Assets

α=constant term

X 1= credit services as measured by the amount of loan advanced

$X2$= the training services as measured by the number of trainings received from the bank.

$X3$= savings services as measured by the average monthly savings

$X4$= Coaching and Business clinics as measured by the number of trainings received from the bank.

β 1- β 4 = regression coefficients

ε = is the error term

The significance of the variables was analyzed using p-values. The resulting p-values were compared with the critical P-value of 0.05. Variables with p-values of less than 0.05 were declared significant in determining the influence of IFS on SMEs while those of values more than 0.05 were considered insignificant.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The first section in this chapter is on the response rate of the respondents. The second section highlights the profiles of respondents. The third section in this chapter is on the analysis, presentation and interpretation of the relationships under investigation. The presentation and interpretation was in line with the study's objective. Tables showing the rate of occurrence (frequency) and percentile were used for presentation of research findings. Descriptive analysis was carried out consistent with the research design. For each research objective, descriptive analysis was first carried out by use of the percentiles and frequencies.

4.2 Questionnaire Response Rate

A sample size of 73 SMEs was selected. Questionnaires were administered to a sample of the business managers and owners of the selected SMEs. Out of the 73 questionnaires distributed to the respondents, 65 questionnaires were filled appropriately and received from respondents and therefore regarded as the responsive instrument and formed the basis for data analysis. This formed a questionnaire return rate of 89.04%. Saunders et al. (2003) indicate that 30 to 50 percent response rate is reasonable enough for statistical generalizations.

4.3 Profiles of the Respondents

This section profiles the respondents in respect to gender, level of education, business duration of operation, and type of business and how financial institutions have catered for business requirements. Profiling of the respondents was informed by the items in the research instruments used in the study.

4.3.1 Distribution of Respondents by Gender

The data sought on whether respondents were men or women. There was no preferential treatment to either gender during selection process.

Table 4.1: Distribution of Respondents by Gender

Gender	Frequency	Percentage
Male	39	60
Female	26	40
Total	**65**	**100**

Table 4.1 indicates that out of the 65 respondents obtained, 40% of them were female meaning that majority (60%) were male. This implies that there are more male than females operating SMEs in Nairobi.

4.3.2 Distribution of Respondents by Level of Education

The questionnaire required respondent to indicate the highest level of education they had obtained. The options provided in this item were: college, graduate and post graduate. The responses were as shown in Table 4.2

Table 4.2: Distribution of Respondents by Level of Education

Highest level	Frequency	Percentage
College	18	28
Graduate	34	52
Post Graduate	13	20
Total	**65**	**100**

The results in Table 4.2 indicate that 28% had college certificate, 52% of the respondents had graduate certificate while 20% had post graduate certificate. Therefore, the respondents were literate and had the basic knowledge of business as well as knew the value of research. Hence, they would willingly act as the respondents in the study.

4.3.3 Distribution by Duration of Business Operation

Respondents were required to indicate the length of time they had been operating the businesses in order to determine the influence of Equity Bank inclusive financial services on the performance of SMEs. The data was clustered and categorized as shown below in Table 4.3

Table 4.3: Distribution by Duration of business operation

Duration of operation	Frequency	Percentage
Below 5 years	13	20
6 - 10 years	29	45
11 – 15 years	16	24
Over 15 years	7	11
Total	**65**	**100**

From the above tabulated results, 20% of the businesses had been in operation for less than five years while 45% had been operating for a period of between 6 to 10 years, 24% of the businesses had been operated for 11-15years while 11% operated for over 15 years. This, indicated that a majority of 65% of the businesses had been in operation for a period not more than 10 years but long enough to experience the influence of Equity Bank inclusive financial services in their performance.

4.3.4 Distribution by Industry of Business

Respondents were required to indicate the category of business industry they operated in. The data was clustered and categorized as shown in Table 4.4.

Table 4.4: Distribution of Respondents by business industry

Category of business	Frequency	Percentage
Commercial & Trade	34	53
Service Industry	17	26
Light Manufacturing	8	12
Other (specify)	6	9
Total	**65**	**100**

The results indicates that 53% of the businesses operated in Commercial & Trade, 26% in Service Industry, 12% in Light Manufacturing while 9% in other categories. The results show that most of the SMEs (81%) engage in less capital intensive business. This can be attributed to low financial requirements of such business ventures.

4.3.5 Distribution by extent of Equity Bank Catering for Business Needs

Respondents were also required to indicate the magnitude by which they believed Equity Bank had catered for their business needs. The data was clustered and categorized as shown in Table 4.5

Table 4.5: Distribution by which Equity bank catered for business needs

Catering for business needs	Frequency	Percentage
Very great	6	9
Great	16	25

Moderate	26	40
Small	12	18
No	5	8
Total	**65**	**100**

The results in Table 4.5 indicate that 9% felt that the bank had catered for their business needs to a very great extent, 25% felt to great extent, 40% felt to moderate extent, and 18% felt to a small extent while 8% felt that the bank had not catered for their business needs. Thus, SMEs suffers from lack of tailor-made financial services to cater for their unique needs.

4.4 Credit Facilities

The study sought data to determine the influence of credit facilities offered by Equity Bank on the performance of SMEs. The numerical 5 to1 describes extent of agreement to disagreement. The responses were presented in Table 4.6 - 4.10.

4.4.1 Loan offered

Data was sought on whether loan offered has improved their business performance. The responses were as shown in Table 4.6.

Table 4.6: Loan offered

Loan offered	Frequency	percentage
5	34	52
4	30	46
3	1	2
2	0	0
1	0	0
Total	**65**	**100**

The results in Table 4.6 indicate that 52% strongly agreed, 46% agreed and 2% were neutral. The findings showed that the businesses had registered positive performance due to loans borrowed as supported by (98%) of the respondents. This clearly shows that loans borrowed improve business performance.

4.4.2 Cash flow

Data was sought on whether the cash flows from the businesses was able to cater for loan repayment obligation comfortably. The responses were as shown in Table 4.7.

Table 4.7: Cash flow

Cash flow	**Frequency**	**percentage**
5	18	28
4	28	43
3	2	3
2	13	20
1	4	6
Total	**65**	**100**

The results in Table 4.7 indicate that 28% and 48% strongly agreed and agreed respectively that their cash flows catered for their loan obligations comfortably, 3% were impartial, 20% disagreed while 6% strongly disagreed that their cash flows were adequate to cover their loan obligations. Majority of respondents (71%) repaid their loans comfortably. Loans borrowed improved profit gained making it easy to repay the loans.

4.4.3 Business liquidity

Data was sought on whether the respondents had improved business liquidity from proceeds of the loan. The numerical 5 to1 describes extent of agreement to disagreement. The responses were as shown in Table 4.8.

Table 4.8: Business liquidity

Business liquidity	**Frequency**	**Percentage**
5	15	23
4	22	34
3	3	5
2	13	20
1	12	18
Total	**65**	**100**

The results in Table 4.8 indicate that 23% totally agreed, while 18% strongly disagreed. Hence, majority (57%) had registered improved business liquidity from the proceeds of the loans. Through the loans, the business registered improved revenue for the business.

4.4.4 Business Expansion

Data was sought on whether the businesses had expanded quicker after funding. The numeral 5 to1 describes extent of agreement to disagreement. The responses were as shown in Table 4.9.

Table 4.9: Business Expansion

Business Expansion	**Frequency**	**Percentage**
5	21	32
4	30	46

3	1	2
2	8	12
1	5	8
Total	**65**	**100**

The results in Table 4.9 indicate that 32% strongly agreed, 46% agreed, 2% were impartial, 12% disagreed, and 8% totally disagreed that the businesses had expanded quicker due to funding. A majority of the respondents (78%) affirmed that the businesses had expanded. Thus, through more funding businesses had expanded by investing more funds into the businesses.

4.4.5 Additional financing

Data was sought on whether the firm will require more financing for further growth. The responses were as shown in Table 4.10.

Table 4.10: Additional Financing

Additional financing	Frequency	Percentage
5	13	20
4	16	25
3	1	1
2	24	37
1	11	17
Total	**65**	**100**

The results in Table 4.10 indicate that 20% strongly agreed, 25% agreed, 1% were neutral, 37% disagreed, and 17% strongly disagreed that they need more financing for further growth. A majority of the respondents (54%) required no further financing. Thus, loans had improved the performance of the SMEs such that they could plow back profit gained for the business growth.

4.5 Savings

The study sought to establish the influence saving culture on SME business performance. The numeral 5 to1 describes extent of agreement to disagreement. The responses are presented in Tables 4.11 to Table 4.14.

4.5.1 Saving Culture

Data was sought on whether the businesses had cultivated a saving culture on monthly basis. The responses were as shown in Table 4.11.

Table 4.11: Saving culture

Saving culture	Frequency	Percentage
5	25	38
4	22	34
3	2	3
2	9	14
1	7	11
Total	**65**	**100**

The findings indicate that 38% strongly agreed, 34% agreed, 3% were neutral, 14% disagreed, and 11% strongly disagreed had cultivated a saving culture on monthly basis. Thus, a majority of the respondents (72%) concurred that they had cultivated a saving culture. This implies that the businesses had gained profit through the financial services offered by the bank.

4.5.2 Improved Business Liquidity

Data was sought on whether the savings had greatly improved the business liquidity. The responses were as shown in Table 4.12.

Table 4.12: Improved business liquidity

Improved business liquidity	Frequency	Percentage
5	14	22
4	23	35
3	4	6
2	17	26
1	7	11
Total	**65**	**100**

The results in Table 4.12 indicate that 22% strongly agreed, 35% agreed, 6% were neutral, 26% disagreed, and 11% strongly disagreed that savings had improved business liquidity. 57% of the businesses had witnessed improved business liquidity. Thus, savings improves business liquidity.

4.5.3 Improved Credit Rating

Data was sought on whether the business savings had improved and boosted credit rating. The responses were as shown in Table 4.13.

Table 4.13: Improved credit rating

Improved credit rating	Frequency	Percentage
5	18	28
4	26	40
3	2	3
2	13	20
1	6	9
Total	**65**	**100**

The results in Table 4.13 indicate that 28% strongly agreed, 40% concurred, 3% were neutral, 20% disagreed, and 9% strongly disapproved that savings improve credit rating. 68% of the respondents concurred that savings improve and boost credit ratings. Savings enable repayment of the outstanding loans.

4.5.4 Peace of mind

Data was sought on whether the respondents had attained peace of mind through savings. The responses were as shown in Table 4.14.

Table 4.14: Peace of mind

Peace of mind	Frequency	Percentage
5	16	25
4	19	29
3	3	5
2	17	26
1	10	15
Total	**65**	**100**

The results in Table 4.14 indicate that 25% strongly agreed, 29% agreed, 5% were neutral, 26% disagreed, and 15% strongly disagreed that they had attained peace of mind through savings. 54% of the respondents had attained peace of mind indicating that their businesses were experiencing stability. Thus, savings promote business stability.

4.6 Business Training

The study aimed at establishing the relationship between training and productivity of SME business. The numeral 5 to1 describes extent of agreement to disagreement. The responses are presented in Table 4.15 to Table 4.23.

4.6.1 Number of Business Training

Data was sought on the number of business trainings the respondents had attended in the last 3 years. The responses were as shown in Table 4.15.

Table 4.15: Business Training

Number of business training	Frequency	Percentage
Above 6	5	8
5-6	9	14
3-4	23	35
1-2	18	28
0	10	15
Total	**65**	**100**

The results show that 8% absolutely concurred, 14% agreed, 35% were neutral, 28% disagreed, and 15% strongly disagreed that they had attended training in the last 3 years. Only 22% had attended trainings, 35% could not agree or deny indicated the high number of non-formal trainings. Thus, minority of the respondents take time to participate in business trainings indicating limited access to information.

4.6.2 Marketing and Networking Skills

Data was sought on whether the respondents had acquired new marketing and networking skill through training. The responses were as shown in Table 4.16.

Table 4.16: Marketing and Networking Skills

Marketing and Networking Skills	Frequency	Percentage
5	26	40
4	17	26
3	1	2
2	12	18
1	9	14
Total	**65**	**100**

The results indicate that 40% strongly agreed, 26% agreed while only 2% indecisive. 18% disagreed, and 14% totally disapproved. The findings reveal that 66% of the respondents had acquired marketing and networking skills through business training. Thus, training helps acquire marketing and networking skills which are needed for effective business performance.

4.6.3 Quality of Customer Service

Data was sought on whether training had positively influenced the business quality of customer service. The responses were as shown in Table 4.17.

Table 4.17: Quality of Customer Service

Quality of Customer Service	Frequency	Percentage
5	32	49
4	17	26

3	1	2
2	11	17
1	4	6
Total	**65**	**100**

The results in Table 4.17 indicate that 49% strongly agreed, 26% approved, 2% were impartial 17% disagreed, and 6% strongly disapproved. This reveals that 75% of the respondents felt improved customer service. Thus, training enhances quality of customer services offered by a business hence promoting business performance.

4.6.4 Management skills

Data was sought on whether the respondents had adopted sound financial planning and management skills through training. The responses were as shown in Table 4.18.

Table 4.18: Management skills

Management skills	Frequency	Percentage
5	29	45
4	19	29
3	5	8
2	8	12
1	4	6
Total	**65**	**100**

The results in Table 4.18 indicate that 45% strongly agreed, 29% agreed, 8% were neutral, 12% disagreed, and 6% strongly disagreed. The findings show that 74% of the respondents had adopted sound financial planning and management skills. Thus, through training the respondents acquire financial planning and management skills which are much needed for operating businesses.

4.6.5 Training is a Great Investment

Data was sought on whether Training and development is a great investment to business management. The responses were as shown in Table 4.19.

Table 4.19: Training is a great investment

Training is a great investment	Frequency	Percentage
5	34	52
4	26	40
3	2	3
2	3	5
1	0	0
Total	**65**	**100**

The results in Table 4.19 indicate that 52% strongly agreed, 40% agreed, 3% were neutral and 5% disagreed. The findings reveal that 92% of the respondents value training and development as an investment to business management. Thus, businesses must invest in training and development to ensure effective performance.

4.6.6 Training Enhances Competitiveness

Data was sought on whether training is an important tool for enhancing competitiveness. The responses were as shown in Table 4.20

Table 4.20: Training enhances competitiveness

Enhanced competitiveness	**Frequency**	**Percentage**
5	23	36
4	19	29
3	5	8
2	10	15
1	8	12
Total	**65**	**100**

The results in Table 4.20 indicate that 36% strongly agreed, 29% agreed, 8% were neutral, 15% disagreed, and 12% strongly disagreed that training enhances competitiveness. The findings show that 65% of the respondents believe that training guarantee competitiveness. Hence, training is a necessity for business competitiveness.

4.6.7 Effective use of Resources

Data was sought on whether training leads to effective use of resources. The responses were as shown in Table 4.21.

Table 4.21: Effective use of resources

Resources well used	**Frequency**	**Percentage**
5	28	43
4	21	32
3	5	8
2	7	11
1	4	6

Total	**65**	**100**

The results in Table 4.21 indicate that 43% strongly agreed, 32% agreed, 8% were neutral, 11% disagreed, and 6% strongly disagreed. The findings show that 75% of the respondents affirmed that training ensures efficiency. Hence, guarantee efficiency in the utilization of the business resources.

4.6.8 Change Management

Data was sought on whether training helps cope with changes in the business environment. The responses were as shown in Table 4.22.

Table 4.22: Change management

Change management	Frequency	Percentage
5	25	38
4	17	26
3	4	6
2	14	22
1	5	8
Total	**65**	**100**

The results in Table 4.22 indicate that 38% strongly agreed, 26% approved, 6% were impartial, 22% disagreed, and 8% strongly approved. It’s evident that 64% concurred that training helps cope with change management. Training helps businesses effectively manage changes.

4.6.9 Training

Data was sought on the extent to which of training covered different aspects as below. The responses are presented in table 4.23.

Table 4.23: Training

Training	VL	L	M	S	N
Business management	28	16	3	11	7
Financial planning	26	14	4	15	6
Customer care	25	13	2	14	11
Marketing	27	15	5	11	7
Financial management	22	12	4	18	9
Total	**128**	**70**	**18**	**69**	**40**

A return of 68% agreed that training covered business management to greater extent while 17% felt that the coverage of business management was minimal. 4% felt the training moderately touched on business management and 11% still felt that training did not cover business management. 62% of the respondents agreed that training covered financial planning to greater extent while 23% felt that the coverage of financial planning was minimal. 6% felt the training moderately touched on financial planning while 9% felt that training did not cover business management.

In addition, 58% agreed that training covered customer service to greater extent while 22% felt that the coverage of customer care was minimal. 3% felt the training moderately touched on customer care while 17% felt that training did not cover customer care. 65% of the respondents agreed that training covered marketing to greater extent while 17% felt that the coverage of marketing was minimal. 8% felt the training moderately touched on marketing with 10% indicating that training did not cover marketing. The results also show that 52% of total respondents concurred that training covered financial management to greater extent while 28% felt that the coverage of financial management was minimal. 6% felt the training moderately touched on business management and still 14% felt that training did not cover business management.

4.7 Coaching and Business Clinics

The study sought data to evaluate how coaching and business clinics effect on productivity of SME business. The numeral 5 to1 describes extent of agreement to disagreement .The responses are presented in Table 4.24 to Table 4.29.

4.7.1 Number of Coaching and Business Clinics

Data was sought on the number of coaching and business clinics the respondents had attended in the last 3 years. The responses were as shown in Table 4.24.

Table 4.24: Number of Coaching & Business Clinics

Number of business clinics	Frequency	Percentage
Above 6	4	6
5-6	22	34
3-4	12	19
1-2	10	15
0	17	26
Total	**65**	**100**

The results show that only 6% had attended more than 6 business clinics, 34% had attended 5-6 such clinics, and 19% had attended 3-4 business clinics. 15% had attended 1-2 business clinics while 26% had not attended any business clinic. Thus, only 40% had attended at least 5 business clinics indicating low attendant of business clinics.

4.7.2 Access to Information

Data was sought on whether the business clinics and coaching had increased the respondents' exposure to information and potential business opportunities. The numeral 5 to1 describes extent of agreement to disagreement. The responses were as shown in Table 4.25.

Table 4.25: Access to Information

Access to information	Frequency	Percentage
5	19	29
4	22	34
3	4	6
2	15	23
1	5	8
Total	**65**	**100**

The results in Table 4.25 indicate that 29% strongly agreed, 34% agreed, 6% were neutral, 23% disagreed, and 8% strongly agreed. This indicates that 63% of the respondents had increased exposure to information and potential business opportunities. Thus, business clinics expose business owners and employees to information and business opportunities.

4.7.3 Improved Productivity

Data was sought on whether the employees had become more creative, skillful and more productive. The responses were as shown in Table 4.26.

Table 4.26: Improved productivity

Improved productivity	**Frequency**	**Percentage**
5	22	34

4	21	32
3	1	2
2	13	20
1	8	12
Total	**65**	**100**

The results in Table 4.26 indicate that 34% strongly agreed, 32% agreed, 2% were neutral, 20% disapproved, and 12% totally refuted. This indicates that 66% of the business owners had become more creative, skillful and more productive. Thus, the business clinics empower the entrepreneurs.

4.7.4 Knowledge Management

Data was sought on whether coaching had encouraged knowledge sharing and skills transfer within the respondents' organization. The responses were as shown in Table 4.27.

Table 4.27: Knowledge management

Knowledge management	Frequency	Percentage
5	21	32
4	22	34
3	2	3
2	15	23
1	5	8
Total	**65**	**100**

The results in Table 4.27 reveals that 32% absolutely consented, 34% approved, 3% were impartial, 23% disagreed, and 8% strongly rejected. This shows that 66% of the respondents agreed that coaching encouraged knowledge sharing and skills transfer within their organizations. Thus, coaching promote knowledge management in an organization.

4.7.5 Stabilization Factor

Data was sought on whether coaching had provided stabilization factor when change occurred. The responses were as shown in Table 4.28.

Table 4.28: Stabilization factor

Stabilization factor	Frequency	Percentage
5	23	35
4	16	25
3	5	8
2	14	21
1	7	11
Total	**65**	**100**

The results in Table 4.28 indicate that 35% strongly agreed, 25% agreed, 8% were neutral, 21% disagreed, and 11% strongly disagreed. Thus, 60% of the respondents affirmed that coaching provide stabilization factor. Thus, coaching imparts change management skills which ensure stability in the organization's operations.

4.7.6 Succession Plan

Data was sought on whether coaching and mentoring had helped the respondents' organization in succession planning. The responses were as shown in Table 4.29.

Table 4.29: Succession plan

Succession plan	Frequency	Percentage

5	24	37
4	22	34
3	4	6
2	9	14
1	6	9
Total	**65**	**100**

The results in Table 4.29 indicate that 37% strongly agreed, 34% agreed, 6% were neutral, 14% disagreed, and 9% strongly disagreed. This indicate that 71% of the respondents concurred that coaching ensure successful succession plans. Hence, coaching prepares employees for bigger responsibilities in the organization.

4.8 Business Performance

The study sought data on the performance level of the SMEs for 3 consecutive years from 2013-2015. The performance was measured by profitability represented by return on asset (ROA). The responses are presented in Table 4.30.

Table 4.30: Business Performance

Business Performance	<10%	11-20%	21-30%	31-40%	>40%
2015	0	2	4	8	51
2014	0	4	7	15	39
2013	0	5	10	20	30
Total	**0**	**11**	**21**	**43**	**120**

The performance of SME business measured in terms of return on asset indicate that in year 2015 only 3% of the businesses operated at 11-20% performance, 6% operated at 21-30% performance, 12% operated at 31-40% performance while 79% operated at above 40%

performance. In the year 2014, 6% of the businesses operated at 11-20% performance, 11% operated at 21-30% performance, 23% operated at 31-40% performance while 60% operated at above 40% performance. In the year 2013, 8% of the businesses operated at 11-20%, 15% operated at 21-30%, 31% operated at 31-40% while 46% operated at above 40% performance. This shows a gradual increase in performance of the SMEs from 2013 to 2015.

4.9 Regression Analysis

Regression analysis sort to establish the relationship between profitability of SMEs and the independent variables under consideration as shown in Table 4.31.

Table 4.31: Regression Analysis

	Unstandardized Coefficients		Standardized Coefficients		
Variable	B	Std. Error	Beta	t	Sig.
(Constants)	1.468	.135	1.226	1.226	.358
Credit facilities	.422	.092	.369	3.477	.051
Savings	.329	.071	.218	2.390	.021
Business training	.410	.089	.347	3.252	.044
Coaching and clinics	.374	.086	.308	3.139	.030

Consequently, the model ($Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon$) becomes:

$Y = 1.468 + 0.422X_1 + 0.329X_2 + 0.410X_3 + 0.374X_4$. The regression equation indicates that taking all the four variables constant at zero, the performance of the SMEs was 1.468. The findings also indicate that taking all other independent variables at zero, a unit increase in credit facilities led to 0.422 performance efficiency of the SMEs. In addition, a unit increase in savings led to 0.329

performance efficiency of the SMEs. A unit increase in business training led to 0.410 performance efficiency of the SMEs. A unit increase coaching and business clinics led to 0.374 performance efficiency of the SMEs.

The beta values Table 4.31 under the standardized coefficients column show the unique contribution of the independent variable. The standardized coefficients indicate individual contribution of the specific independent in predicting the dependent variable. At 95% level of confidence, credit facilities had a beta value of 0.369, savings had a beta value of 0.218, business training had a beta value of 0.347 and coaching and business clinics 0.308.

It can be concluded that, all the four variables with p values <0.05 were significant with savings and credit facilities showing the least and the highest significance respectively. Therefore, all four independent variables had an influence on the profitability of SMEs in Nairobi. The t-test statistic showed that all the B coefficients credit facilities, savings, business training and coaching and business clinics were significant (since $p<0.05$).

4.10 Discussion

The study has shown that credit facilities not only improve business performance but also revenue growth which makes repayment of loans comfortable. Moreover, the businesses do not need more funding for expansion given that the profits gained can be plowed back into the businesses for growth. These findings reinforce Rukwaro (2011) and Gatune (2002) sentiments that SMEs require credit facilities for their operations and growth as a working capital. The working capital loans enjoy better cash management which led to increased profitability.

The study showed that savings improve business liquidity and stability as well as enable repayment of the outstanding loans. The study has also showed that training imparts marketing and networking skills; enhances quality of customer services offered; and impart financial planning and management skills which promote SMEs performance. Training also serves as a competitive tool that guarantees efficiency in the utilization of the business resources as well as enables effective management of changes. Thus, businesses must invest in training and development to ensure effective performance. These findings mirror Braunstein and Welch (2002) that financial literacy and management trainings help the operators of SMEs improve business performance. They also confirm Jasra et al. (2011) that providing business planning support to SMEs improves performance through risk mitigation. The findings are also in agreement with Gilmore and Carson (1999) and Makori (2013) that training on network and marketing can be instrumental in ensuring the success of the businesses.

The study has shown that coaching and business clinics empower the employees to be productive and even prepare them even for bigger responsibilities in the organization. Coaching and business clinics also impart change management skills and knowledge management skills as well as exposes business owners and employees to information and business opportunities which enhance performance. These findings echo Gray and Goregaokar (2007) that leadership, coaching and mentorship of businesses ensure that SMEs grow, develop and learn new skills under the direction and advice of the experts.

Thus, the study concludes that the IFS offered by Equity bank promote the performance of SMEs. This conclusion is in agreement with the findings by Wambua and Mugambi (2013) that relationship banking which focuses on meeting the customers' needs enhances a bank's profitability through increased customer loyalty while adding value to the customer through improved business performance. This also reflects Nge'ethe (2014) conclusion that the performance of SMEs as indicated by the profitability measured in terms of Return on Asset

(ROA) is influenced by SMEs' assets, debt-equity ratio, monthly average savings and SME training.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter presents a brief discussion of the research findings and the conclusions drawn from the discussions. Further, the chapter provides recommendations consequent to the conclusion and finally gives suggestions for further research.

5.2 Summary of findings

This study sort to determine the influence of Equity Bank Inclusive Financial Services on performance of Small and Medium-sized Enterprises that are based in Nairobi. The findings showed that the loans borrowed has improved business performance as supported by (98%) of the respondents. The study also showed that 71% of the respondents repay the loans borrowed comfortably. 57% further indicated that their business had registered improved business liquidity from the proceeds of the loans. The loans borrowed also accounted for the business expansion through the increased revenue as affirmed by 78% of the respondents. The study also revealed that 54% of the respondents required no further financing given that the loans had improved the performance of the SMEs such that they could plow back profit gained for the business growth.

The study found out that 72% of the respondents had cultivated a saving culture through the profits gained. 57% of the businesses had witnessed improved business liquidity while 68% of the respondents agreed that savings improved and boosted credit ratings. Savings enable repayment of the outstanding loans. The study further indicated that 54% of the respondents had attained peace of mind due to business stability.

The survey demonstrated that 22% of the respondents had attended training in the last 3 years. The findings also showed that 66% of the respondents had acquired marketing and networking skills through business training. The study has shown that 75% of the respondents had improved customer service. Further 74% had adopted sound financial planning and management skills. 92% of the respondents also valued training and development as an investment to business management. The study also indicated that 65% of the respondents believe that business training guarantee competitiveness.

The findings showed that training ensures efficiency as supported by 75% of the respondents. The study has also shown that 64% believe that training helps cope with change management and further 68% agreed that training covered business management to greater extent. 62% of the respondents agreed that training covered financial planning to greater extent. 58% of the respondents agreed that training encompassed customer care services to greater extent while 65% agreed that training covered marketing to greater extent while 52% of the respondents approved that training covered financial management to greater extent.

The study showed that only 40% of the respondents had attended at least 5 business clinics in the last 3 years. Study also showed that 63% of the respondents had increased exposure to information and potential business opportunities through coaching and business clinics. Further 66% indicated that employees had become more creative, skillful and more productive. The study indicated that coaching encouraged knowledge sharing and skills transfer within their organizations as well as provided stabilization factor as supported by 66% and 60% of the respondents respectively. The study further indicated that coaching ensure successful succession plans as 71% of the respondents.

The study also showed that 3% of the businesses operated at 11-20% performance, 6% operated at 21-30% performance, 12% operated at 31-40% performance while 79% operated at above 40% performance in 2015. In 2014, 6% of the businesses operated at 11-20% performance, 11% operated at 21-30% performance, 23% operated at 31-40% performance while 60% operated at above 40% performance. In 2013, 8% of the businesses operated at 11-20%, 15% operated at 21-30%, 31% operated at 31-40% while 46% operated at above 40% performance. This showed a gradual increase in performance of the SMEs from 2013 to 2015. The study also showed that all the four variables had an influence on the performance of SMEs in Nairobi.

5.3 Conclusion

The SMEs are the driving agents of industrial development especially in the developing nations. They hold an integral part in the economic development for their contribution in creating employments and the national gross domestic products. Thus, they are agents of change geared towards alleviation of poverty. They can no longer be ignored given their relevance in national development. However, they face various challenges including inadequate access to finances and lack of adequate management skills. Further, business owners do not have adequate information on proper networking and marketing while their entrepreneurial attributes are poor leading to poor business performance.

Thus, commercial banks have recognized the unique challenges facing SMEs by offering relationship banking which focuses on meeting the customers' needs that caters for both credit financial services and non-credit financial services. Among these include credit facilities, inculcating saving culture, business training and coaching and business clinics among other services. The study has shown that these inclusive financial services offered by Equity bank influence the performance of the SMEs.

The study has shown that credit facilities not only improve business performance but also revenue growth which makes repayment of loans comfortable and enable business expansion. Savings improve business liquidity and stability as well as enable repayment of the outstanding loans. The study has also showed that training imparts marketing and networking skills; enhances quality of customer services offered; and impart financial planning and management skills which promote SMEs performance. Training also serves as a competitive tool that guarantees efficiency in the utilization of the business resources as well as enables effectively management of changes. Thus, businesses must invest in training and development to ensure effective performance. The study further revealed that coaching and business clinics empower the employees to be productive and even prepare them even for bigger responsibilities in the organization. Coaching and business clinics also impart change management skills and knowledge management skills as well as exposes business owners and employees to information and business opportunities which enhance performance.

5.4 Limitations of the Study

The study aimed at establishing the influence that Equity Bank Inclusive Financial Services had on the Small and medium enterprises. This posed a limitation to the study because most of the SMEs targeted had multiple loans from different financiers. It was not possible to isolate the influence of Equity Bank from the overall impact of the services received from the different financiers.

The Study focused on the SMEs located in Nairobi. It did not account how the influence of the bank's inclusive financial Services would be influenced by geographic and demographic characteristics of other regions such as rural areas. Such a premise may cause inconsistencies in generalization if the study is applied across the country.

The study sought data on SMEs over a span of three years. Since business undergo phases of development in the development life cycle, the impact of services such as business coaching may not be realized during the stages of business startups. In addition, the benefits of the Inclusive Financial Services may take more than three years to be realized. A longer time span would have been appropriate for such a study.

The study did not account for the SMEs that had been in operation for less than one year as at 31^{st} December 2015 and hence did not have financial statements.

5.5 Recommendations

The results of the survey and consequently the conclusion drawn point out that there is a need to establish extensive information networks from where SMEs can easily access information that is helpful for the growth and increased profitability of the businesses. Also, policy makers such as the governments, through policy formulation and implementation should endeavor to provide proper guidelines and regulations geared towards provision of inclusive financial services.

The banks should come up with enhanced and standardized training with room for customization to unique borrower needs. The loan amount advanced should correspond to customer needs given that in most cases the amounts of funds allocated to borrowers fall far below the actual financial needs of a business.

5.6 Suggestions for Further Research

Some relevant issues as highlighted in this research were not investigated which may add value to future studies on SMEs performance. It is therefore recommended further research should focus on the influence of financial regulatory and supervisory roles of the bank on the performance of SMEs, the role of technology as a delivery channel of Inclusive Financial

Services to the SMEs for improved productivity and role of Business Incubation centers on the performance of SMEs.

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APPENDICES

Appendix I: Questionnaire

Kindly answer the following questions freely and honestly. Your candid opinion will be highly appreciated. Indicate by a mark (ℵ) where appropriate.

Section A: Demographic data

1. Gender? Male [ ] Female [ ]

2. Indicate your highest level of education?

a) College [ ]

b) Graduate [ ]

c) Post graduate [ ]

3. How long in years has your business operated?

a) Below: 5 years [ ]

b) Between: 6 to 10 [ ]

c) Between: 11 to 15 [ ]

d) Over: 15years [ ]

4. Which category of business does your enterprise belong?

a) Commercial & Trade [ ]

b) Service Industry [ ]

c) Light Manufacturing [ ]

d) Other (specify) [ ]…………………………….

5. To what extent has your bank catered for your business needs?

Very great extent [ ] Great extent [ ] Moderate extent [ ] Small Extent [ ] No extent [ ]

Section B: Credit Facilities

Show by marking (ℵ) on how Credit Facilities (Loans) may have influenced productivity of your business

No	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	The loan offered has improved my business performance.					
2	My cashflow caters for loan repayment obligation comfortably.					
3	I have improved my business liquidity from proceeds of the loan.					
4	My Business has expanded quicker after funding					
5	My firm will require more financing for further growth.					

Section C: Savings

Show with a mark (ℵ) on how Savings (Set aside funds) may have influenced your business performance.

No	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	My business cultivates a saving culture on monthly basis					
2	Savings have greatly improved my business liquidity					
3	My business savings have improved and boosted my credit rating					
4	I have attained peace of mind through Savings					

Section D: Business Training

1. How many business trainings have you attended in the last 3years?

Always (Above 6)……………………………………………………. [ ]

Often (5-6)……………………………………………………….. [ ]

Sometimes (3 -4)……………………………………………………… [ ]

Rarely (1-2).. [ ]

Never (0)………………………………………………………… [ ]

2. Show with mark (ℵ) on how business training may have influenced your business productivity

No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	We have acquired new marketing and networking skill through training.					
3	Training has positively influenced our quality of customer service					
4	We have adopted sound financial planning and management skills through training.					
5	Training and development is a great investment to business management					
6	Training is an important tool in enhancing competitiveness					
7	Training leads to effective use of resources					

No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
8	Training helps cope with changes in the business environment					

3. How well were below areas were covered during the trainings.

No.		Very large Extent	Large Extent	Moderate Extent	Small Extent	No Extent
		5	4	3	2	1
1	Managing SME Business					
2	Planning of Finances					
3	Customer Service					
4	Networking and Marketing					
5	Management of					

	Finances					

Section E: Coaching & Business Clinics

1. How many Coaching & Business Clinics have you attended in the last 3years

Always (Above 6)…………………………………………………… [ ]

Often (5-6)……………………………………………………….. [ ]

Sometimes (3 -4)……………………………………………………… [ ]

Rarely (1-2).. [ ]

Never (0)………………………………………………………… [ ]

1. Show by marking (ℵ) on how Coaching & Business clinics may have influenced productivity of your business

No	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	Business Clinics and coaching has increased my exposure to information and potential business opportunities					
2	Our employees have become					

No	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
	more creative, skillful and more productive					
3	Coaching has encouraged knowledge sharing and skills transfer within our organization.					
4	Coaching has provided stabilization factor when change occur.					
5	Coaching & mentoring has helped our organization in succession planning.					

Section F: Business Performance

This Section entails assessing the overall Business profitability measured on Return on assets (ROA). For each, please indicate the range of the performance indicators for last three (3) years.

Return on Asset

Year	Less than 10%	Between 11%-20%	Between 21%-30%	Between 31%-40%	More than 40%
2015					
2014					
2013					

Thank you for your time.