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Role of Microfinance Institutions on Financial Performance of Small and Medium Enterprises in Eldoret Town, Uasin Gishu County, Kenya

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Abstract:
The objective of this study was to establish the role played by microfinance institutions on financial performance of small and medium enterprises in Eldoret Town, Uasin Gishu County. The microfinance variables were provision of credit services and training. The financial performance parameters are net profit ratio, current ratio and inventory turnover ratio. Theory guiding the study was the compensatory profit theory. Descriptive survey research design was employed for the study. The study population was small and medium enterprises in Eldoret town, Uasin Gishu County. Sample of 100 SME's were drawn through stratified sampling from a target population of 996 licensed SME's. Questionnaires and document analysis were used to collect data. The test-retest technique and construct validity were used to measure the reliability and validity of the questionnaires and the data obtained respectively. Data were analyzed by use of descriptive and inferential statistics and presented in form of tables and explanations provided. The study established that Microfinance Institutions played a crucial role in financial performances of small and medium enterprises by providing credit and training on financial skills. The study also established that provision credit and training was an active role of Microfinance Institutions on financial performance of SME's. The study recommends that Microfinance Institutions should continue with its role in providing credit to SME's as credit is the backbone of the SME's. The study recommends that Microfinance Institutions should take a more active role in provision of trainings in financial management since a number of SME's don't access the service.

Keywords: *Micro finances, training, provision of credit, financial performance, small and medium enterprises*

1. Introduction

Financial performance of small and medium enterprises has been attributed to availability of a number of factors supporting its presence and progress in the market. Such factors include satisfactory business environment, obtainability of government subsidies, and technologically advanced infrastructure among others. Continuouscash flows play a central role in ensuring that these businesses keep afloat with its daily operations. Inconsistency in cash flows would eventually hurt business operations leading to such businesses going under. Microfinance, according to Syombua (2014) is "the provision of financial services to low-income poor and very poor self-employed people". These monetary services according to Leatherman (2011) generally include savings and credit but can also include other financial services such as indemnification and compensation services. Brigit et al (2003) define microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks."

Many enterprises continue to experience challenges in their financial performances though measures have been put in place by these enterprises to cushion the businesses form adverse effects brought about by negative financial performances over time. Micro financing aims at improving the ability of the low-income households to generate funds as well as having access to superior and reasonably priced financial services to finance income-producing activities, shape assets, steady consumption, and protect against risks. Initially the term was closely associated with microcredit which refers to very small loans to unsalaried mortgagors with little or no guarantee. Micro financing can be traced back to the middle of the 1800s when the theorist Lysander Spooner was writing over the paybacks of small credits to entrepreneurs and farmers as a way of getting people out of insufficiency. Microfinance has since evolved to include a wider range of economicyields, such as savings, remittances, insurance and payments.

The need for improved financial performances towards the realization of a stable business environment has seen the collaborations of microfinance institutions and other financial service providers coming together to address this gap by introducing products and delivery methods that addresses the varied financial needs of low-income enterprises. Most micro finances have develop parameters that are friendly to their clients and the use of these methodologies such as pre-loan investments requirements, cluster lending and liability, and the steady increase in loan sizes to appraise clients' credit praiseworthiness continue to aid in improving the financial statuses of these enterprises. Microfinance providers today continue to improve their understanding of the financial needs of their target clients as a way of tailor making their products and policies accordingly. The term 'micro' stems from the comparatively trivialsums of money that are being rented or saved (Helms & Reille, 2004).

The desire to address the needs of enterprises especially those needs that affect the financial performance brought about the introduction of endorsed credit and savings institutions as a way of addressing the needs of clients deserted by commercial banks a way to obtain economic services through collectives and growth finance institutions. An example of such systems includes the Irish Loan Fund system initiated by author and nationalist Jonathan Swiftin the early 1700s. According to Qazi, Isran & Syed (2013) his idea begun slowly and with time became widespread, by the 1840s it had become a big institution with over 300 funds all over Ireland. Their major tenacity was making small loans with interest for short periods.

The emergence of various types of larger and more formal savings and credit institutions was realized in the 19thcentury in the greater Europe as a need to address the frequent financial challenges experienced by enterprises. Most of these were organized primarily among the urban and rural underprivileged. According to Qazi et al, (2013) these institutions were known as People's Banks, Credit Unions, and Savings and Credit Co-operatives. A study conducted on Friedrich Wilhelm Raiffeisen´s village bank movement in Germany by an economical historian by name of Timothy Guinnane started in 1864 and had stretched to2 million rural agrarians by the year 1900. His undertakings back then demonstrated that microcredit could pass the two tests concerning people's reimbursement confidence and the likelihood to provide the financial service to the underprivileged people. (Microfinance info, 2016). From the late nineteenth century, the coming together expanded rapidly over a large sector of the Rhine Province and other regions of the German States. The cooperative crusade quickly spread to other countries in Europe and North America, and ultimately established the backing of cooperative movement in industrialized countries and donors (Qazi et al, 2013).

The Indonesian Grassroots loan Banks (BPR) or The Bank Perkreditan Rakyat which was unbolted in 1895 befitted the prevalent microfinance coordination in Indonesia with nearby to 9,000 elements. One of its aims was addressing the financial challenge being faced by the Indonesian small business enterprises Qazi et al (2013). The services consisted of banking activities, of receiving money in the formula of reserves in addition to deposits and providing small-scale, short-term credit to people within a specific working area, usually local**.** These services was intended at enlightening the financial performances as well as improving on the larger economic progression of the region.

Caisse populaire association stranded by Alphone and Dorimène Desjardins in Quebec, was also apprehensive approximately to poverty. They approved an act overriding them in the Quebec assemblage after they remained chastised on the first caisse between 1900 and 1906. According to McKenzie & Woodruff (2007), their action was mainly informed by their faith on the indication roughly on microcredit and its benefit fashioned to improving the financial performances of the enterprises.

The optimisms of levitation efficiency and revenues saw régimes and benefactors focusing more on provision of agronomic advances to trivial and ostracized agriculturalists amid the 1950s and 1970s. These efforts accentuated quantity controlled government intercessions in the formula of beleaguered advance concluded public improvement economics establishments and farmers organizations in round about areas. These institutions time-honored concessional advances and advanced to clienteles at underneath marketplace attentiveness charges although their success was rare and as such led to massive erosion of venture pedestals of rural development banks due to subsidized lending rates and poor repayment discipline as funds did not always reach the poor but often ended up concentrating on pointers of better-off farmers. Qazi et al (2013).

The necessity to improve on the financial performance gave rise to microfinance which factually dates back to the 1970s when the curricula showed that people could be relied on to repay their loans and that it is conceivable to provide financial services to the underprivileged through marketplace based initiatives without subsidy. According to McKenzie & Woodruff (2007) the shore bank in Chicago became the first microfinance and community development bank to be founded in 1974.

Helms & Reille (2004) alludes that Dr Mohammed Yunus from Bangladesh and a father figure of the contemporary minicomputer financing was baffled with the circumstance that so many poor people were starving. His encounter with a group an assemblage of 42 women selling bamboo stools during one of his village visits made him quickly comprehend that they had liquidity problems because they had debts for parboiled constituents and could not break even because of low selling prices. He gave them interest free loans which enabled them to get on show of debit and break even and as a consequence the Grameen bank (village bank) came into being in 1976. Dr Mohammed concluded an exceptional connection by means of countryside banks enabling many businesses achieve profitability through distribution and recuperation of thousands of advances, but the financiers repudiated to revenue terminated the assignment at the culmination of the experimental segment since they were apprehensive that was too affluent and perilous in vindictiveness of his accomplishment.

1983 saw the foundation of Grameen Bank through the support of donors and currently serves more than four million borrowers. The preliminary success of Grameen Bank inspired the establishment of several other giant microfinance institutions like Proshika, BRAC and ASA aimed solely at improving the financial position of business enterprises (Qazi et al, 2013). According to Robinson (2001) 1980s epitomized a turning point in the history of microfinance. He states further that it was during this time that MFIs began to show that they could deliver small loans and savings services profitably on a large scale. According to Qazi et al. (2013), microenterprise loaning programs had an almost limited attention on credit for income engendering activities and in some cases convoyed by obligatory savings arrangements which targeted underprivileged borrowers. The contemporary microfinance has been motivated by a convergence of forces, with government agencies, for-profit companies and NGO's all playing integral roles. Robinson (2001) designates that the evolution of the productiveness can be separated into four distinct stages: Forerunner, Breakout, Alliance and Maturity.

The connection amid microfinance and financial performances of enterprises aphorism augmented development in the quantity of microfinance establishments fashioned and an augmented prominence on accomplishment weighbridge in the 1900s (Robinson, 2001). Dichter (1999) denotes to the 1990s as "the microfinance epoch".

Microfinance has now turned into an industry according to Robinson (2001). Along by means of progression in microcredit establishments as well as improved financial performances, thoughtfulness rehabilitated from unprejudiced the endowment of advances to the underprivileged (microcredit), to the endowment of supplementary pecuniary amenities such as reserves and pensions (microfinance) all aimed at continuity of the initial agenda of enabling the business breakeven as well as improving financially. In Kenya, the government has amalgamated with a quantity of NGO's to help trivial and intermediate innovativeness to achieve financial freedom. Such programs mainly target enterprises in the rural areas and mainly those owned by youth and women. The agencies employed adapted the varieties of the Grameen Bank assemblage advancing prototypical and as such, solitary potency say that Kenya progressed as the Bangladesh of Africa.

Financial freedom by way of result of positive financial performance by SME's continue to revolutionize commercial milieu in Kenya. SMEs can now be capable to encounter their obligations and similarly have surplus income for expansion as well as improving on the lifestyles of their members. Financial surpluses also helps in meeting communal social responsibilities within the regions of jurisdiction. Two main methodologies remain commonly used to catalogue the dissimilar suppliers of micro economics amenities in Kenya. The earliest and furthermost universally used unique is on the foundation of formality. Providers are pigeon-holed as official or unceremonious dependent of the degree to which they are enumerated and structured under recognized law and communications administrated further down the numerous acts of the edict of treaty or slightly by self -regulation or group-based rules. The subsequent cataloguing is grounded on the consumer/benefactor connection in the administration and proprietorship of the pecuniary amenity providing entity. Beneath this cataloguing, microfinance providers are dichotomized addicted to consumer grounded micro money assistances (CMFAs) and member-based microfinance agencies (MMFAs).

Client-based microfinance assistances encompass entirely all microfinance suppliers be it official or casual, where clients are not also proprietors of the establishment, devour petite unswerving engrossment in the administration of the establishment, and do not partake a portion in the profits made by the establishment and these include about 130 Non-Governmental Organizations according to Otto, Muli & Ong'ayo(2002).

It against this setting that the study was conducted to scrutinize the role of MFIs' on financial performance of SMEs' in Eldoret town, Uasin Gishu County, Kenya.

1.1. Statement of the Problem

Finance is the backbone of any business without which the sustainability and the going concern would be at stake. Equity therefore becomes essential and management of the same should be done with prudency. In order for an enterprises to perform well financially the required ingredient mix should be balanced at all times. The initiative needs to have the idea, principal, noble planning skills, and presentation of the product/service, costs reduction, profit maximization, training and value addition. Unbalanced mix would automatically result to underperformance and total failure in the long run.

Many trivial and intermediate establishments today still struggle with negative cash flows which negates on their sole aim of financial freedom. Factors contributing to this challenge includes lack of enough capital, poor infrastructure, lack of right expertise on the era to era business management as well as underdeveloped market. Valentino (2008) argues that insufficient pecuniary administration training, elevated interest rates, petite time contracted for advance reimbursements and repudiation of additional occupational auxiliary amenities, SMEs' proprietors and who happens to be clients of microfinance institutes bungle advance maintenances obtainable to them, exiting the underprivileged in shoddier state of affairs than beforehand they amalgamated with MFIs for their amenities.

The extremeen counter facing entrepreneurs transversely Africa and Kenya in particular today is the state of business chattels. According to Omidyar Network and Monitor Group (2012), nonexistence of finances, pitiable skills and talent compounded with poor infrastructure have backed the challenges fronting initiatives in today's business markets. The IMF has estimated that as many as 84% SMEs in Africa are either not served or undeserved when it comes to access to finance, demonstrating a value gap in credit financing of almost USD 140-170 billion (Peer Stein 2011). Omidyar report further alludes that while many Afro- entrepreneurs lamentaninadequate supply of capital, current financiers point out that many developments presented are not fundable grants. (Macharia & Mutuku, 2016). Companies can look for funds both within and outwardly with internal sources coming from family and own savings while outward sources being obtained from banks in form of loans, MFI's, government, investment funds, customers, grants and factoring suppliers.

The inadequacy of the many sources of finance are the circumstances attached which mainstream of SMEs' are unable to meet. Of the countlesschoices Microfinance remains to be the utmostfeasible option for SME's to meet their financial needs (Valentino, 2008). This is because most of the necessities are within their reach and procedures are not complex as associated to additional external sources. Most SME's do not partake information on how trifling bankrolling can influence the growth productivity of their trades with another reason being lack of enough savings for continuous business enhancements and continued growth. Lack of securities to be used in obtaining bank loans remain to shun a number of them from profiting on loans from commercial banks. All these factors compounded together bring home the need to enlighten such SME's on how micro financing aides in the financial performance of their businesses. As a way of addressing the perennial challenge of negative financial performances by the small and medium enterprises, the study focused on the roles played by micro finance institutions towards the realization of a positive financial performance by the small and medium enterprises in Eldoret Town Uasin Gishu County-Kenya.

1.2. Research Questions

- Is provision of credit a role of MFI's on the financial performances of small and medium enterprises in Eldoret town, Uasin Gishu County?
- Is training a role of MFI's on improving the financial performance of SMEs in Eldoret Town, Uasin Gishu County?

1.3. Research Hypotheses

- H1: There is a significant relationship between provision of credit services and financial performance of small and medium enterprises in Eldoret Town, Uasin Gishu County
- H2: There is a significant relationship between training and financial performance of small and medium enterprises in Eldoret Town, Uasin Gishu County.

1.4. Literature Review on Credit Provision and Financial Performance of SME's

Small businesses face a number challenges in their life time, much of which stems from lack of funding and regular, adequate supply of it. Credit in itself is a lifeline for any business and lack of it makes a business experience financial challenges and more often such challenges may lead to business closure. Financial performances can be improved with the availability of funds to help meet obligations as they arise. The advent of MFIs' has helped a lot in bridging the finance gap experienced by SMEs' in meeting their obligations and at the same time improving on the growth opportunities.

The impact of MFIs' on SMEs' was examined by Ahiabor (2013) in Ghana, Ahiabor used a case study of the Ledzorkuku-Krowor Municipal Assembly. Simple random sampling method was engaged in selecting the seventy SMEs and thirty MFIs that set up the sample size of the study. Questionnaire was premeditated to aid the attainment of pertinent data which was used for study. Descriptive statistics which involves simple ratio graphical charts and diagrams was preemptively applied in data demonstrations and analysis. The conclusions of the study reveal that substantial number of the SMEs have the knowledge of the presence of MFIs and some recognize constructive influences of MFIs loans towards encouraging their growth. Other than financial support, it is recommended that MFIs' should at all-time give qualified advices to SMEs since proper professional advice will inform the lending MFI whether the sum the SME requested for meets the need or not. Workshops and seminars should be systematized by the microfinance institutions to educate SMEs on the policies and sensible use of coffers for SMEs and what it takes to access loans. Also, MFIs' should initiate more progressive developments in order to win the assurance and conviction of the SME's.

A study on the effects of MFIs' credit terms on performance of SMEs' was done by Ndereba (2014) with a focus on Mombasa County. The researcher sought to know how (MFI) credit terms distress performance of SMEs' in Mombasa County. The researcher employed a descriptive survey design. The target population considered for the study was 378 enterprises and by use of cluster sampling technique, a sample of 41 SMEs' were selected. Questionnaires were used to collect prime data while journals were used to collect secondary data. The findings indicated that interest rates affects the performance of the enterprises. High rates make running of business unproductive. The advanced credit size affects enterprise if it's too small or not enough while the performance of enterprises was absolutely associated to business performance. Adequate loan size, favourable interest and sufficient grace period were the recommendation of the study.

A study on the effects of microfinance on micro and small enterprises (MSEs) growth in Nigeria was done by Abiola Babajide (2012). The researcher scrutinized the effects of diverse loan management practices (in terms of loan size and tenor) on small enterpriseprogress criteria and the aptitude of Microfinance-Banks. Considering its loan-size and rates of interest charged towards converting micro-businesses to proper small scale enterprises. Panel data and multiple regression analysis were employed to analyze a survey of five hundred and two randomly selected enterprises who are financed by microfinance banks in Nigeria. The findings showed a strong confirmation that access to microfinance does not improve growth of SMEs' in Nigeria. However, other firm level physiognomies such as the size and location of the business, are established a positive effect on enterprise growth. The researcher therefore recommended a recapitalization of the Microfinance banks to augment their capability to support trivial business progress and development.

Study on the effect of Micro-finance lending on the business performance was undertaken by Njiwakale (2013). The researcher surveyed MSE's in Kitale municipality. The intention of the research was to find out the effect of MFI lending on business performance. Descriptive survey research design was employed with a target population of one thousand two hundred. A sample of one hundred and twenty respondents drawn from the strata was picked. Semi structured questionnaires were used and data was analyzed by verification and coding by use of a computerized package.

Data wasanalyzed and summarized in frequency tables' like figures and Pie charts. Chi-square was employed and correlation done at 95% significance level. The outcomes of the study was that business performance and the amount of loan given were positively related. Thus the more the loan the better the business performance. Njiwakale recommended that loan amounts be enlarged for improved business performance.

It is evident that the researchers agree on the fact that credit provision by MFIs plays a major role in the financial performance of SMEs. With a positive correlation in the loan size and financial performance. It is also true thata positive relationship exist between the loan period and the financial performance of an enterprise.

1.5. Trainings and Financial Performance of SME's.

Without training, small and medium business enterprises performance will be greatly affected thus making it hard for them to achieve their goals and objectives. Trainings and seminars enable the owners and managers be able to understand and cope up with the ever changing trends in the market. It will enable them to comprehend the business environment and be able to adjust accordingly. When these businesses are informed, they are able to make decisions that bring positive changes to the growth and sustainability. Lack of training will automatically affect the performance as the managers/owners will be gambling with the limited knowledge within their disposal thus training is essential for the smooth operations and running of these enterprises.

Mwangi (2013) did a study on the effects of training on the performance of small and medium enterprises in Mt. Kenya region. The purpose of the investigation was to find out whether there is anassociation between training and performance of SME's. Performance was operationalized to mean productivity, market progress, market share, economical edge, attainment of skills and technology. The investigator was of the opinion that deficiency of training has an adverse bearing on performance of these enterprises. The tenacity of the study was to appraise the bearing of training on SMEs. Area cluster sampling method was employed with a target population of five hundred enterprises operating in Nery and Embu Districts. A sample size of 100 employees who were either owners or managers were considered. The researcher employed the use of both structured and unstructured questionnaires to collect principal data. The researcher also made use of literature review to collect Secondary data. Data analysis was aided by use of statistical tools including excel spreadsheets and presented in form of tables, graphs and pie charts.

A study on the effects of microfinance services on the growth of Small and Medium Enterprises in Machakos County was done by Mbi the (2013). The tenacity of the study was to find out the effects of microfinance services on the growth of SMEs' in Machakos County. Eight types of business categories was studied by use of quantitative descriptive. Target population of 5311 enterprises doing business within the County of Machakos were considered for the study and data from hundred enterprises collected by use of structured questionnaire. Multivariate regression model was analyzed to determine the relative importance of each of the three variables namely microcredit, micro insurance and training, with respect to the effects of microfinance services on the growth of SMEs. The regression analysis conducted showed that two of the independent variables have a positive correlation with the dependent variable in that micro credit and training contribute positively to the sales growth while micro insurance affects growth negatively. The findings indicated that there was a strong positive relationship between the study variables.

Moorthy et al (2012) examined the aspects that affect the performance of SMEs in the manufacturing sector in Malaysia. The study aligned itself with The Contingency Theory developed by Fiedler (1964). Descriptive study was used to establish the repercussion of each independent factor towards the performance of SMEs in Malaysia with a number of three hundred respondents being considered. Data was analyzed and interpreted by using SPSS computer software program. In addition to descriptive statistic, Pearson's Product Moment Correlation Coefficient (PMCC) and Multiple Linear Regression Analysis were engaged. Before applying this scrutiny, the validity and reliability of the research questionnaire were tested using the values of Cronbach's Alpha. Outcomes presented that there is a substantial negative relationship amid ineffective entrepreneurship as well as inappropriate human resource management and the performance of SMEs.

2. Research Design and Methodology

2.1. Research Design

Research design is the plan and structure of investigation so conceived as to obtain answers to research questions. A descriptive study is concerned with determining the frequency with which something occurs or the relationship between variables (Cooper and Schindler, 2003). For the purpose of this study, the study employed descriptive survey research design. This approach was appropriate for the study, since the researcher intended to collect detailed information through descriptions and was useful for identifying variables and hypothetical constructs. Descriptive methods were applied to study the roles of microfinance services that is credit provision, training and seminars on the financial performance of SMEs in Eldoret Town, Uasin Gishu County.

2.2. Target Population

The target population of this study were the small and medium enterprises in Eldoret Town, Uasin Gishu County. The town is home to a sizeable number of different SME's which include trader, transporters, agricultural stores, hospitality, professional services, health, entertainment and factories that are appropriate to gather data related to the research. The study focuses on registered SME's in Eldoret Town and enquires on the role of Microfinance in the financial performance of their businesses. The target population comprised of 996 small and medium enterprises registered with the County Government of Uasin Gishu but located within Eldoret Town. The table below shows the different types of business registered by the County Government of Uasin Gishu in Eldoret Town.

Type of Business	Description	Total Count
Traders	Trader Shop or retail service	478
Storage and Transport	Storage facility	76
	Petrol Filing Station	43
	Communication Company	16
Agriculture	Agricultural Produce/Dealer	31
Hospitality	Hotels and Restaurants	73
	Guest Houses & Lodgings	32
Professional Services	Professional Service Firms	88
Health & Entertainment	Private Health Facilities	28
	Doctor/Dentist/Pharmacy	54
	Entertainment Facility	23
Factories & Contractors	Small Industrial Plant	7
	Workshop/Service Repair Contractors	47
Total		996

Table 1: Number of Registered SME's in Eldoret Town, Uasin Gishu County
Source: County Government of Uasin Gishu Licensing Department 2018

2.3. Description of Research Instruments

2.3.1 Questionnaire

Primary data was collected using the questionnaires as they were inexpensive and the researcher was able to distribute them easily. Walliman (2005), comments that using questionnaires enables a researcher to organize the questions and receive replies without actually having to talk to every respondent. The questionnaires were structured according to the objectives and were closed ended to ensure effective analysis.

Secondary data were collected by use of document analysis is which is a systematic procedure for reviewing or evaluating documents—both printed and electronic (computer-based and Internet-transmitted) material. Like other analytical methods in qualitative research, document analysis requires that data be examined and interpreted in order to elicit meaning, gain understanding, and develop empirical knowledge (Corbin & Strauss, 2008). Interviews were also crucial in collecting secondary data

2.4. Validity and Reliability of Research Instrument.

Kothari described validity as "indicating the degree to which an instrument measures what it is supposed to measure while reliability has to do with the accuracy and precision of a procedure" (Kothari 2004). Validity accuracy and reliability of the data was carried out through a thorough audit and scrutiny for any errors.

2.5. Description of the Sample and Sampling Procedures

Kothari (2004) explained that a size of a sample should neither be excessively large nor too small but should be optimum to fulfil the requirements of efficiency, representativeness, reliability and flexibility. Yamane (1967:886) provides a simplified formula to calculate sample sizes as shown in the calculation below.

n =N/(1+Ne^2)

n = 996/(1+996*0.12)

Where n is the sample size, N is the population size, and e is the level of precision. When the confidence level of 95% and a precision level of +-10% is assumed, a population of 996 SMEs will give a sample of 91 SME's however a sample of 100 SMEs were used for the study.

Type of Business	Target	Sample	Percentage
Traders	478	44	48.0%
Storage and Transport	135	11	13.6%
Agriculture	31	3	3.0%
Hospitality	105	10	10.5%
Professional Services	88	8	8.8%
Health & Entertainment	105	10	10.5%
Factories & Contractors	54	5	5.0%
	996	91	100%

Table 2: Sample Frame
Source: Author 2018

2.6. Description of the Data Collection Procedures

A letter was sought from The Catholic University of Eastern, Africa which was later used to apply for research permit from NACOSTI. After the Permit had been received, data collection was initiated and was done at the SME's premises during office hours. The SME's subjected to the study were selected randomly until the numbers as per the stratified sample were achieved.

2.7. Description of the Data Analysis Procedure

The questionnaires were reviewed for completeness and consistency in order to carry out the statistical analysis. Data sheet was used to capture data from the document analysis. The study focused on dependent variable as measured by the gross profit margin, net profit, Net profit margin and current ratio to assess the financial performance of small and medium enterprises. The role of microfinance institutions on the financial performance of SMEs was evaluated using the independent variables which are provision of credit services and trainings. Both inferential and descriptive statistics were used in data analysis. Quantitative data from the questionnaires that were structured in line with the variables and data from the data documents analyzed were interpreted in form of percentages, frequencies and mean and presented in form of charts, graphs and tables. Regression analysis was used to test the hypotheses.

3. Presentation, Discussion and Interpretation of Findings

3.1. Nature of Business

Type of Business	Frequency	Percentage	Cumulative Percentage
Retail	41	45.1	45.1
Wholesale	8	8.8	53.9
Service	39	42.8	96.7
Manufacturing	3	3.3	100
Totals	91	100	

Table 3: Nature of Business

Of the total sampled population, 45.1% represented businesses in retail, 8.8% represented businesses doing wholesale, 42.8% were engaging in service while 3.3% were involved in manufacturing. The study depicts that a higher number of SME's were engaging in retail business followed closely by those in service industry showing that most SME's in Eldoret Town either engage in retail business or service business.

3.2. Duration of Business Existence

Table 4 below represents the frequencies of the duration the SME's has been in business

Years in Operations	Frequency	Percentage	Cumulative Percentage
Less than a year	16	17.6	17.6
1 – 5 Years	42	46.2	63.8
6 – 10 Years	26	28.5	92.3
Above 10 Years	7	7.7	100
Totals	91	100	

Table 4: Duration of Business Existence
Source: Researcher 2018

The study shows that 17.6% of the businesses have been in operations for less than one year while 46.2% have had business engagements for a period of more than one year but under five years. 28.5% of total SME's have been running for a period of between six and ten years while 7.7% have been active for period of more than ten years. The study findings indicates that 63.8% of the SME's within Eldoret Town have been in operation for less than 5 years as compared to 36.2% having done more than five years in existence.

3.3. Number of Staff Employed

Table 5 below represents the frequencies of the number of staff employed by SME's

Number of Staff Employed	Frequency	Percentage	Cumulative Percentage
Below 10	49	53.8	53.8
Between 11 – 20	21	23.1	76.9
Between 21 – 30	14	15.4	92.3
Between 31 – 40	3	3.3	95.6
Between 41 – 50	4	4.4	100
Above 50	0	0	100
Totals	91	100	

Table 5: Number of Staff Employed
Source: Researcher 2018

The study illustrates that 53.8% of the SME's employed less than ten employees while 23.1% engages between 11 and 20 employees. 15.4% of the SME's employs between 21 and 30 employees while those employing between 31 and 40 and those between 41 and 50 employees are 3.3% and 4.4% respectively. The findings shows that none of the SME's was employing more than 50 employees. The reason for most of the SME's employing less than 10 staff is attributed to the sizes of the enterprises.

3.4. Credit Provision

3.4.1. Source of Credit

Table 6 below represents the frequencies of the SME's source of credit

Source of Credit	Frequency	Percentage	Cumulative Percentage
Microfinance Institutions	57	62.6	62.6
Banks	19	20.9	83.5
Friends and Relatives	6	6.6	90.1
Personal Savings	9	9.9	100
Totals	91	100	

Table 6: Source of Credit
Source: Researcher 2018

The study depicts 62.6% of the SME's get credit from microfinance Institutions while 20.9% received credit from banks. 6.6% of the SME's under study sourced credit from friends and relatives and a further 9.9% used personal savings. It is imperative to note that a significant number of SME's relied on MFI's for credit to operationalize their businesses.

3.4.2. Ease of Accessing Credit

Table 7 represents the frequencies of the SME's ease of accessing credit

Ease of Accessing Credit	Frequency	Percentage	Cumulative Percentage
Easy	26	28.6	28.6
Hard	54	59.4	89.0
Very Hard	10	11.0	100
Totals	91	100	

Table 7: Ease of Accessing Credit
Source: Researcher 2018

28.6% of SME's found it quite easy to access credit while 59.4% said that it was hard to access credit. 11% of the SME's indicated that it was very hard to access credit citing uphill requirements which has to be fulfilled before getting credit.

3.4.3. Importance of Access to Credit

Table 8 represents the frequencies of the SME's importance of access to credit

Rating	Frequency	Percentage	Cumulative Percentage
Not important	19	20.9	20.9
Important	51	56.0	86.9
Very Important	21	23.1	100
Totals	91	100	

Table 8: Importance of Access to Credit
Source: Researcher 2018

20.9% of the respondents in the study rated that access to credit is not important aspect affecting the financial performances of their enterprises. While 56% rated the access to credit as important, 23.1% indicated that access to credit is very important and significantly affect the financial performance of their businesses.

3.5. Trainings

3.5.1. SME's Proprietors Trained

Table 9 below represents frequencies of SME's Owners who have had training in Financial Management

	Frequency	Percentage	Cumulative Percentage
Trained	18	19.8	30.8
Not Trained	73	80.2	100
Totals	91	100	

Table 9: SME's Owners Trained in Financial Management
Source Researcher 2018

The study indicates that only 19.8% of the respondents have had training in financial management while 80.2% have not had any training.

3.5.2. Who offered the Training?

Table 10 represents frequencies of Institutions offering trainings to SME's.

Trained by	Frequency	Percentage	Cumulative Percentage
Microfinance	13	72.2	72.2
Bank	2	11.1	83.3
Friends & Family	3	16.7	100
Total	18	100	

Table 10: Institutions Offering Training
Source: Researcher 2018

According to the study, thirteen SME's owners of the eighteen trained and representing 38.9% of those trained were trained by MFI's while two representing 11.1% having been trained by banks and the remaining three representing 16.7% of those trained were trained by family and friends.

3.5.3. Significance of Training

Table 11 below represents frequencies of SME's response on significance of trainings

Significance of the Training	Frequency	Percentage	Cumulative Percentage
Benefited	17	94.4	94.4
No Benefit	1	5.6	100
Totals	18	100	

Table 11: Significance of the Trainings
Source: Researcher 2018

A majority 94.4% of the respondents representing seventeen of those who were trained felt that the training benefited them and helped in improving the financial performance of their businesses while only one individual represented by 5.6% of those trained indicated that the training was not beneficial in improving the financial performance of his/her business.

3.6. Regression Analysis

Table 12 provides the *R*, *R²*, adjusted *R²*, and the standard error of the estimate, which can be used to determine how well a regression model, fits the data:

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.477[a]	.283	.254	1.134

Table 12: Model Summary
Predictors: (Constant), Credit Provision and Training

As per the results above, R value was found to be .477 showing a positive direction of R, indicating a correlation between the observed and predicted values of the dependent variable. The values of R range from -1 to 1 (Wong and Hiew, 2005) and the sign of R indicates the direction of the relationship (positive or negative). The absolute value of R indicates the strength, with larger absolute values indicating stronger relationships. Thus the R value at .477 shows a stronger relationship between observed and predicted values in a positive direction. The coefficient of determination R^2 value was 0.283. This showed that 28.3% of the variance in dependent variable (Financial Performance) was explained and predicted by micro finances services such as training and provision of credit to Small and Medium Enterprises.

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	42.232	4	295.923	8.967	.000[b]
1	Residual	82.936	78	1.063		
	Total	125.168	82			

Table 13: ANOVA[a]
a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Credit Provision, Training

The ANOVA results produced the F-statistics of (F = 8.967) 5 per cent level of significance (Sig. F< 0.05), confirming the fitness of the model and eventually confirming that there was a statistically significant relationship between Credit Provision and Training services on financial performance of small and Medium Enterprises in Eldoret Town Uasin Gishu County.

Model		Standardized Coefficients			T	Sig.
		B	Std. Error	Beta		
	Constant	3.049	.456		8.943	.000
	Credit Provision	0.231	.267	.116	2.529	.000
1	Training	0.164	.159	.147	1.105	.000

Table 14: Coefficients
a. Dependent Variable: Financial Performance

Using the generated unstandardized coefficient of the regression analysis, the following regression model was fit for the data (Table 4.3.3).

$Y = 3.049 + 0.267X_1 + 0.159X_2 + 0.456$

The analysis revealed that there was a positive relationship between provision of credit services and financial performance of small and medium enterprises in Eldoret Town by a factor of 0.231. This implied that a unit change

Training had a coefficient of 0.159 indicating a change in financial performance of SME's in Eldoret Town by a factor of 0.159 for a unit change in Training. Lastly, credit provision had a coefficient of 0.267 indicating that a unit change in credit provision will lead to a change in financial performance of SME's in Eldoret Town by a factor of 0.267.

The study findings revealed that a higher percentage of the SME's benefited positively from their engagements with Microfinance Institutions which such engagements contributing to improved financial performances of their enterprises. The findings adduces to the roles played by the microfinances institutions in financial performance of small and medium enterprises.

Credit provision stands out as one of the major roles played by microfinance in financial performances of SME's with 76.9% of the respondents being positive that credit provisions helps to boost the financial performances of their enterprises. Credit received is invested into stocks and product development and part of the cash being spend on other obligations. Mwobobia 2012 identified lack of credit as one of the most serious constraints hindering the development of SME's in Kenya. The findings are in agreement with the study by Ahiawodzi and Adede (2012) indicating that access to credit exerts a significant positive effect on performance of small and medium enterprises.

Majority of the respondents have not been trained on financial management, however, 72.2% of those who have had training received the training from microfinance institutions. 94.4% of the total trained indicating that the skills attained has helped them in improving the financial performances of their enterprises. Such trainings included risk management, prudency and internal controls. The finding is further confirmed by the hypotheses results. The fact that very few of the SME's have been trained in financial management conquers with a study by Zindiye (2008) in Zimbabwe indicating that SME sector attracts low priority to financial training.

The response from the study contradicts the findings of Wright (2000) who argued that funds used by microfinance to train SME's should be diverted to other projects since it doesn't meet the objective.There was a statistical significant relationship between credit provision by micro finance institutions and financial performance of small and medium enterprises in Eldoret Town. This is also supported by the regression analysis which indicated presence of enough evidence to reject the hypothesis that there was no significant relationship between credit provision and financial performance of small and medium enterprises in Eldoret Town. The findings therefore indicated a positive relationship meaning that credit provision aide's small and medium enterprises meet their financial requirements without having to strain so much. The findings is in support of Njiwakale (2013) whose findings indicated that the financial performance of a business is positively related to the amount of credit received a fact also agreed by Wakaba (2014). This argument is true in that credit enables enterprises to expand their operations both in business lines and geographical presence. Other researches whose findings were similar to the study findings included Odongo (2014) whose findings indicated a positive linear relationship between the loan size and financial performance of an enterprise.

The findings are similar to the study because most respondents (76.9%) agree that credit helps boost the financial performances of their enterprises. This implies that credit provision as a financial support offered by microfinance institutions has influenced the financial performances of small and medium enterprises in Eldoret Town.

The results from the regression analysis indicated a significant linear relationship between training as offered by microfinance institutions and financial performance of small and medium enterprises who received the training. The fact is also supported by the descriptive statistics with an indication that majority (94.5%) of those trained agreed that training has helped in improving the financial performances of their enterprises. Skills transfer enables those who lack the requisite experience gain expertise which they will in turn apply in their day-to-day business operations. With the right skills, entrepreneurs are able to answer the important questions of how, when, where and what to consider health for business. A higher percentage of proprietors with the right skills are able to minimize business expenses while at the same time maximizing revenues by ensuring that policies are adhered to, internal controls implemented, risks minimized as well as improved product quality so as to beat the market

The findings was supported by Mbithe (2013) who reported that training and micro-credit affected growth positively and growth in turn affects financial performance. Lack of training on the other hand makes the entrepreneurs to fumble and gamble with business operations in many cases such ends up ruining their enterprises completely and eventually being pushed out of business.

The study therefore rejected hypothesis that there is no significant relationship between training offered by microfinance institutions and the financial performance of small and medium enterprises in Eldoret Town.

4. Conclusion

That credit provision is a role of MFI's aiding in the improvement of financial performances of SME's in Eldoret Town, Uasin Gishu County- Kenya. In as much as the size of the credit provided and the frequency of repayments enhanced the financial performance of the SME's, the repayment period still is a bother to many of the respondents.

Training plays an important function in improving the financial performance of SME's in Eldoret Town, Uasin Gishu County-Kenya in that the skills attained in plough into the business thus improving on cost controls and revenue maximization. Although few of the SME's have had trainings on financial management, it can still be concluded that training is a role of MFI in financial performance of the SME's.

5. Recommendations of the Study

Microfinance Institutions should foster a better relationship with Small and Medium Enterprises so as to achieve mutual benefits. The relationship can start with flexible and favourable credit terms which will encourage as many SME's to consider credit from them as compared to other financial institutions.

Trainings should be continuous and target all customers. These trainings should also be tailor made to the needs of individual SME's as this way these SME's would feel that their interests is being considered and do away with the notion of favouritism.

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