

**THE ROLE OF MICRO FINANCE INSTITUTIONS SERVICES ON THE  
ACHIEVEMENT OF STRATEGIC OBJECTIVES IN SELECTED SMALL AND  
MEDIUM ENTERPRISES IN NAKURU TOWN, KENYA**

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Management Option], of Kabarak University**

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## DECLARATION AND APPROVAL

### Declaration

This research project is my original work and has not been presented to other university for award of a degree.

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### Approval

This research project has been submitted for examination with our approval as University supervisors

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## **DEDICATION**

I dedicate this work to my wife, children and my parents whose contribution in resources, patience, encouragement and support can't be quantified.

## ABSTRACT

The performance of small and medium enterprises (SMEs) is considered one of the driving forces for developing countries like Kenya, where the economy has benefitted greatly from the contribution of SMEs. The traditional mode of delivering products and services by SMEs to the consumers is through a single distribution channel and that is physical SMEs branches. The aim of this study was to identify whether there is any role played by MFIs services on the achievement of strategic objectives of SMEs operating in Kenya and more specifically in Nakuru Town. Specifically the study sought to establish the role of training offered by MFI's, investigate the role of Financing and examine the role of Advisory services offered by MFI's on the achievement of Strategic objectives in S.M.E's. The study used descriptive research design because the study involved describing a relationship that exists between a set of variables and taking on a survey where data was collected from SMEs owners and managers from a total population of 1,227 SMEs in Nakuru town with strategic plans as per the data provided by the existing 6 MFIs in Nakuru town. The study aimed at collecting information from managers and agents in SMEs on roles of MFIs services on achievement of strategic objectives in SMEs. Data collection instruments incorporated questionnaires, mainly structured in a 5-point Likert scale which was distributed to respondents through "drop and pick later" method. The researcher assessed the reliability and validity of data collection instruments and an overall measure of consistency of 0.840 was realized through piloting. Quantitative data was analyzed using descriptive statistics, Pearson correlation and regression, after entering the raw data into the statistical Package for Social Science (SPSS). The research findings indicated that training, financing and advisory service could explain 57.7% of the variations in the dependent variable which is the roles played by MFIs services on the achievement of strategic objectives of SMEs in Nakuru Town. Regression of results showed that training and achievement of strategic objectives are positively and significant related ( $r=0.543$ ,  $p=0.000$ ), financing and achievement of strategic objectives was positively and significant related ( $r=0.599$ ,  $p=0.000$ ) and finally advisory services and achievement of strategic objectives were positively and significantly related ( $r=0.433$ ,  $p=0.000$ ). Regression results revealed that when training, financing and advisory services as an independent variables were regressed with achievement of strategic objectives as a dependent variable showed a significant relationship exist ( $\beta = 0.529$ ,  $p\text{-value} = 0.000$ ), ( $\beta = 0.680$ ,  $p\text{-value} = 0.000$ ) and ( $\beta = 0.455$ ,  $p\text{-value} = 0.000$ ) respectively which clearly point to the existence of a strong and positive significant influence thus leading to the rejection of the all the null hypothesis in the study. The study may be of benefit and significant to the micro-financial institutions in adopting suitable financial strategies that would continue to spur economic development through promotion of small and medium business. The findings of this study can be useful for MFIs as well as SMEs owners to generate further ideas about their businesses and strategic objective implementation and enhance their financial performance. The study therefore recommends that the government should move in quickly to create policies that favour the growth and expansion of SMEs. Further research should be undertaken to establish the challenges of MFIs' and the possible solutions.

**Keywords:** *SMEs; Strategic Objectives, Micro finance Institutions, Training, Advisory services, Financing*

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## **ACRONYMS & ABBREVIATIONS**

CBS	: Central Bureau of Statistics
GDP	: Gross Domestic Product
GOK	: Government of Kenya
ITTU	: International Transfer Unit
KIPPRA	: Kenya Institute for Public Research and Analysis
LSE	: Large Scale enterprises
MFIs	: Microfinance Institutions
MIDAS	: Micro Industries Development Assistance and Service
NBSSI	: National Board for Small Scale industry
NGO	: Non-Governmental Organisation
ROSCAS	: Rotating Savings and Credit Associations
SMEs	: Small and Medium Enterprises

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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

Microfinance is the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to SMEing and related services, (Armendariz&Morduch, 2010). MFIs have played a crucial role in the financing the SMEs. Many entrepreneurs have been able to start their businesses because of the financial support that the microfinance institutions have been offering them. MFIs have also been involved in other activities that have been geared towards helping the SMEs to effectively run their businesses. Some of these programs include the managerial and advisory services that are usually offered in form of training and seminars.

Small and medium enterprises (SMEs) in Kenya have gained special importance for their role in poverty reduction programmes and potential contribution to overall industrial and economic growth. According to Central SME of Kenya analysis unit report, expansion of SMEs alongside development of rural infrastructure is imperative for the economic development of Kenya. In Kenya, SMEs play a vital role in rural industrialization as well as ensuring a more equitable distribution of income, in promoting more efficient utilisation of local resources.

According to ICG/MIDAS (2003) survey, total contribution of SME's to GDP in Bangladesh was about 741 billion BDT in 2003, which was about a quarter of the country's total GDP in that year. It also found that (Table A1, Appendix) during 2001–2002 to 2004–2005 in every financial year, the growth rate of SME is about 7%. In 2005–2006, the growth rate was 9.21%. The highest growth was in 2006–2007, i.e., 10.28%. Furthermore, Kenya Economic Review (2014) suggests that SMEs contributed 6.60% of total GDP in the fiscal year 2013–2014. A large number of researches have been conducted regarding strategic planning of large organisations, but very few of those focused on SMEs. At the same time, most studies focused on strategic orientation with two dimensions (Grawe, Chen & Daughert, 2009; Reulink, 2012; Keskim, 2006).

### **1.1.1 Overview of MFIs**

Microfinance refers to all types of financial intermediation services (savings, credit, funds transfer, insurance, pension remittances etc.) Provided to low-income households and enterprises in both urban and rural areas, including employees in the public and private sectors and the self-employed (Rosengard, 2000). The Micro-finance institutions has played major role in the development of SMEs as an industry was ‘discovered’ as a development instrument in the late eighties because some NGOs development workers had found that something essential was missing in the services of the government.

According to Muiruri (2014), micro finance industry is a relatively new phenomenon in Kenya, with a few agencies starting about 20 or so years ago but the sector gaining the status of an industry only in the last 10 years. The Government of Kenya (GOK) has indirectly provided a boost to the microfinance sector. Various institution provide variety of service to support SME sector these include finance (credit), handicraft, training and technology expert support institutional support and advisory support (GOK, 1995).

According to session paper NO.1 2005, the government had recognized that access to credit and finance service is key to growth and development in any enterprise and more so to SME. There are a variety of financial services provided to SME these include loans, savings cash transfers, insurance. The theoretical literature on microfinance has been dominated by two strands. In the first strand, a generic theoretical model of microfinance activities tends to feature three sets of agents: households (potential borrowers), formal lenders and informal lenders (such as money lenders, relatives, friends and ROSCAs). These markets are characterized by high lending transaction costs and lack of collateral when farmers do not own their own land, as indicated in (Cook & Nixon, 2005).

### **1.1.2 The Role and Characteristics of SMEs**

Small-scale rural and urban enterprises have been one of the major areas of concern to many policy makers in an attempt to accelerate the rate of growth in low income countries. These enterprises have been recognized as the engines through which the growth objectives of developing countries can be achieved. They are potential sources of employment and income in many developing countries.

It is estimated that SMEs employ 22% of the adult population in Kenya. However, some authors have contended that the job creating impact of small scale enterprises is a statistical law; it does not take into account offsetting factors that makes the net impact more modest (Biggs, Grindle & Snodgrass, 1988). It is argued that increases in employment in small and medium enterprises are not always associated with increases in productivity. Nevertheless, the important performed by these enterprises cannot be overlooked.

Small firms have advantages over their large-scale competitors, they are able to adapt more easily to market conditions given their broadly skilled technologies. However, narrowing the analysis down to developing countries raises the following puzzle: Do small scale enterprises have a dynamic economic role? Due to their flexible nature, SMEs are able to withstand adverse economic conditions. They are more labour intensive than larger firms and therefore have lower capital costs associated with job creation (Anheier & Seibel, 1987; Liedholm & Mead, 1987; Schmitz, 1995).

It is interesting to note that small scale enterprises make better use of scarce resources than large scale enterprises. Thus, they tend to witness high capital productivity which is an economically sound investment. Thus, it has been argued that promoting the small scale enterprise sector in Kenya will create more employment opportunities, lead to a more equitable distribution of income and will ensure increased productivity with better technology (Steel & Webster, 1991).

### **1.1.3. Importance of SME's To Kenya's Development**

According to NBSSI (2000), SMEs are more labour intensive and tend to lead to more equitable distribution of income than larger enterprises. They play an important role in generating employment and thus alleviating poverty. Often providing employment opportunities at reasonable rate of remuneration to workers from poor households and women who have few rates of remuneration and alternative sources of income. SMEs contribute to more efficient allocation of resources in developing countries.

SMEs support building systematic production capacity. They help to absorb productive resource at all levels of the economy and contribute to the establishment of dynamic and resilient economic system in which small and large firms are inter-linked (Johnson, 2002). They also tend to be more widely dispersed geographically than large enterprises, support the development and

diffusion of entrepreneurial spirit and skills and help to reduce economic disparities between urban and rural areas.

According to SEED Working paper Number 29 (Geneva 2002), SMEs play a key role in the manufacturing sector providing 80% of the total employment, contributing over 30% to Gross Domestic Product (GDP) and getting fourth of the sectors export earnings. In Kenya, it is very difficult to quantify accurately any contribution of small enterprises to the national economy because of the unavailable data. Employment data is primarily what is relied on to guess the contribution of the small enterprises sector (Johnson, 2002). Estimate on extend of employment are even made difficult because of the failure to enumerate all unregistered establishments in industrial and employment surveys.

Estimate collected from an unpublished document of the National Board for Small Scale Industry give the number of registered limited companies in Kenya at approximately 80,000, registered partnerships 220,000 and unregistered and informal companies countless. The paper places 90% of registered companies and partnerships in the micro and medium scale enterprises category, Brown (2004).

It had been realized that SME's have a role to play in the development of employment opportunity and economic growth. They are in a better position than larger Organization to make use of intermediate technology. Eric & Ntis (1981) also added their views by defining small scale enterprises as one which employs ten to fifteen people, serves a regional market and has adequate or marginal resources, they said, small scale enterprises are widely scattered, competitive with one another and different from each other.

According to Fees & Warren (1987), some of the activities they engaged in includes; carpentry, blacksmithing, dressmaking, etc. In view of the economic importance of small scale business, the government established the National Board for Small Scale Industry in 1981 to promote small scale business. Kenya Regional Appropriate Technology Service (GRATIS) had since its establishment in 1987 and in conjunction with International Transfer Unit (ITTU), provided training and support to small scale business, through the assistance of the Kenya Government, European Union (EU) among others, (Kenya home page, 2007).

#### **1.1.4 SMEs Performance**

A firm's performance can be determined by its success. According to Carton (2004), successful performance of an organization can be compared with successful value creation for stockholders. It is further mentioned that with regards to organisational financial performance, performance is an evaluation of the change of the financial state of an organisation, or the financial outcomes that occur from management decisions and the implementation of those decisions by members of the organisation.

Small and Medium Enterprises (SMEs) have started flourishing because of the favourable business climate that has been created by the Microfinance Institutions (MFIs). The performance of SMEs have tremendously improved as a result of funding that have been injecting into the sector through the loans that do not have stringent conditions and low interest rates attached to the facilities being made available to the SMEs. The loans from SMEs have been lending to the small businesses have positively changed many enterprises' performance. Many enterprises have been able to make business ventures that have earned them a lot profits, (Nchari, 2006).

MFIs have a variety of financial services that target low-income clients, particularly women, (Hospes, 2004). Since their clients have lower incomes and often have limited access to other financial services, microfinance products tend to be for smaller monetary amounts than traditional financial services. These services include loans, savings, insurance, and remittances.

Microloans are given for a variety of purposes, frequently for microenterprise development. The diversity of products and services offered reflects the fact that the financial needs of individuals, households, and enterprises can change significantly over time, especially for those who live in poverty(Leitner,2001). He also points out that because of these varied needs, and because of the industry's focus on the poor, microfinance institutions often use non-traditional methodologies, such as group lending or other forms of collateral not employed by the formal financial sector.

The SMEs are trained on how to manage their enterprises in professional ways that can lead to the enterprises realizing their business objectives through planning. The MFIs also carry out market research to get important information they can give to the entrepreneurs on the best ways they can operate their businesses profitably. They usually advise the SMEs before they can give them finance for their enterprises, (Barbara, 2009).



Globally, SMEs have been growing and have stabilized financially. The SMEs funded by MFIs in these countries have had enough support from their governments. There has been legal recognition for microfinance institutions (MFIs), regulatory and supervisory capacity for microcredit and other microfinance services, deposit policies, accounting transparency, client protection, credit bureaus and political stability. The countries of East and South Asia are rated as having the most favorable conditions for microfinance operations.

The SMEs funded by MFIs in Pakistan and Philippines have been reported as the most performing SMEs in the world. These SMEs started with little capital that was given unto them in form of loans that do not have stringent conditions and also characterized by no collateral or security to obtain these loans, (Zeller , 2003). Buckley, (2007) reported that SMEs funded by MFIs have grown tremendously in China in the recent past. The performance of these SMEs has been good and their capital bases have stabilized to a state where these SMEs can finance their businesses. This has been attributed to the new regulatory limits on interest rates and lending margins that are favourable to the SMEs that the government of China is implementing. These regulations have made SMEs in China to have easy access to the finances for their enterprises.

There is a growing number of SMEs funded by MFIs in Africa in the last decade. Many African governments have realized the important role SMEs play in provision of employment for the large number of unemployed population which is a characteristic of the African nations. Many of these countries are now involved in the processes of drafting policies that will create a favourable entrepreneurial environment for the growing number of SMEs and MFIs.

In Nigeria, for instance, SMEs funded by MFIs has been seen as an engine of economic growth and for promoting equitable development. SMEs in Nigeria have benefitted from financial support from MFIs and have been able to improve their production. Some of these SMEs in Nigeria started with small working capital selling their products locally, but their market base have grown to include exports to the neighboring countries and also the continent of Europe. A good example is the Egoro Textile enterprise which has expanded its sales of textile products to Kenya, Guinea, Ivory Coast, Albania & Bosnia, (Mosley, 2008).

Kenya like many other developing countries has many microfinance institutions. The World SME (2013) estimates that there are about 10,000 institutions worldwide with over 30 in Kenya

and this number serve a huge population estimated to be about 40 million. A well-managed microfinance institution can generate a significant return in investment. It was estimated in 2013 by the World SME that about 7 billion dollars is handled by microfinance worldwide. About 80% of Kenyans live below the poverty line with less than 2 dollars a day (World SME, 2013).(Leitner, 2001).Those people who live below the poverty line lack adequate means to have access to financial services in conventional financial institutions. Their only solution as of then was traditional money lenders who charged astronomical interest rates. As a matter of fact Microfinance became the only formal financial institution that can lend money to them, (Mjomba, 2011).Few studies have been done in Kenya revolving around microfinance.

There has been a growing number of SMEs funded by MFIs in Kenya in the last ten years. The government of Kenya has realized the important role that the SMEs and MFIs play in reducing the unemployment rate in the country. The importance of microfinance to entrepreneurial development has made the Central SME of Kenya adopted it as the main source of financing entrepreneurship in Kenya. The performance of the SMEs has improved tremendously because of the financial support that the MFIs are providing. Apart from providing financial assistance to the SMEs microfinance institutions such as Faulu Kenya and Kenya Women Finance Trust have been involved in other activities such as managerial and advisory services, training and other technical services to the SMEs, (Montogometry, 2005).

### **1.1.5 SMEs and Strategic Objectives**

An organization's objectives offer specifics of how much of what will be accomplished by when. An objective is a desired result or outcome of what an organization do or intend to do. It is something connected with the future; what they want to achieve in the future. According to Koontz & O'Donnel (2002) "Organizational objectives are those end results toward which the organizational activities are directed". They serve as the goals for management in achieving the organizational mission and hence, management is ultimately directed for the achievement of organizational objectives (as well as individual and group objectives of the people working in the organization). As Drunker (2005) points out, a successful business organization sets objectives in following key result areas; Market standing, innovation, productivity, physical and financial resources, profitability, manager performance and developments, worker performance and attitudes and public responsibility. The organizational capabilities like talent, speed, Shared

mindset brand identity, accountability, collaboration, learning, leadership, strategic unity, innovation and efficiency has led to the achievement of organizational objectives like increased loan recovery, efficiency in loan disbursement, employee satisfaction and collaboration with other institutions in loan recovery.

The ability of SMEs to survive in an increasingly competitive global environment is largely dependent upon their capacity to leverage information as a resource and to benefit from the value of information. SMEs need ready access to comprehensive relevant information since they operate in severe time and capacity constraints (Kiseu, 2003). They require information on business trends and markets; business environment, legal and regulatory aspects, business management, customer needs, business expansion and diversification; technology; business opportunities; linkages and business partnerships. (Schleberger, 1998) Limited access to opportune, current, relevant and adequate information is a notable constraint to SMEs in Kenya.

The enterprises struggle to gain access to important information needed for improved productivity, customer satisfaction, improved cycle time and opportunities at the market place. (ITG, 2002 in Hanna, 2010) Market signals on business opportunities and customer trends are not communicated effectively to SMEs, who perform better in information rich environments (KIPPRA, 2006). Major challenges in relation to market information relate to acquisition and capacity to interpret and effectively use the acquired information. Without access to timely, simplified, reliable and relevant information on market opportunities, production technology, the sector is unable to survive and grow in a highly globalised and competitive market environment (GOK, 2005).

Even though acquisition of information is costly in developing countries, there is evidence to suggest that SMEs are willing to pay significant sums for relevant information where available (KIPPRA, 2006). Difficulties associated with information acquisition have negative implications; lack of information may reduce the extent of mutually beneficial exchanges and lead to uncertainty concerning economic decisions in the enterprises, Information asymmetries leadsto high transaction costs, uncertainty and therefore market failure. (Matambalya & Wolf, 2002)Lack of access to financial services is one of the main constraints facing SME's in Kenya. Studies on the informal sector have indicated that despite the proliferation of SME's activities, many of them not grow (McCormick, 1992). Most are characterized by a small size of activities

and employees. The slow growth of firms has been attributed by some researchers to the lack of access to financial resources (Nkurunziza, 2005). Finance is a key input in the development and growth of business enterprises. One of the reasons why firms form linkages and relations with one another are to access finance (McCormick & Atieno 2002). Credit contributes to enterprises development in a number of ways. Access to external resources allows for flexibility in resource allocation and reduces the impact of cash flow problems on firm activity (Bigsten et al, 2003).

Firms with access to funding are able to build up inventories to avoid stocking out in periods of crisis, while in conditions of macroeconomic instability, use of credit increases growth of surviving firms. Firms without access to bank funding have also been found to be vulnerable to shocks (Nkurunziza, 2005). Issakson (2004) argues that credit can be seen as a constraint to enterprise development due credit allocation process, which locks out firms with viable projects and the weak legal institutional framework for enforcement of contracts, forcing lenders to either rely on social networks or deny loans to potential borrowers. The information asymmetry existing in these markets creates a need for institutional and contract arrangements, which ensure contract enforcement. SMEs with well-planned strategic objectives are more cushioned from external hostilities.

## **1.2 Statement of the Problem**

Microfinance is one of the practical development strategies and approaches that should be implemented and supported to attain the bold ambition of reducing world poverty by half" (UNCDF, 2005). According to Aghion & Morduch (2005), microfinance presents series of exciting possibilities for extending markets, reducing poverty and fostering social change. Microfinance Institutions can be a successful market solution to resolve the failures of attainment of strategic objectives in SMEs. The key element of the microfinance institutions' approach to alleviation of poverty and improving the living in many developing countries is to provide credit and organizational support to their clients, who do not have assets to use as collateral in obtaining loans from formal financial institutions and enable them achieve their strategic objectives in their businesses, there are many other factors that hamper achievement of strategic objectives in S.M.Es in Kenya. Inadequate training, financing and advisory services are some of the organizational challenges experienced by S.M.Es that this study will seek to investigate.

Although governments realize that resource-poor rural households need affordable credit to enhance household incomes, the formal financial institutions failed to reach the poor because they adhere to stringent collateral requirements, and the credit disbursement and recovery procedures are not suitable for their economic environment (Adams and Vogel, 1986). Finscope & Mattoo (2010) & Payton (2007) in their study of financial services in Kenya noted that many S.M.Es lining up in Banks in Kenya to get loans at very high interest rates despite of the massive increase in MFIs in the recent past. They also noted that the increase in the number of MFIs in the country was not reflected in the financial performances of enterprises. They recommended a research to be done in future to explain the effects of MFIs services to financial performances and attainment of strategic planning of SMEs. This research hence seeks to explain the Roles of micro finance institutions services on the achievement of strategic objectives in selected SMEs in Nakuru Town.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

The general objective of the study was to determine the roles played by MFI's on the Achievement of Strategic objectives in selected S.M.E.'S in Nakuru Town

#### **1.3.2 Specific Objectives**

- i. To establish the role of training offered by MFI's on the achievement of Strategic objectives in selected S.M.E's
- ii. To investigate the role of Financing offered by MFI's on the achievement of Strategic objectives in S.M.E's.
- iii. To examine the role of Advisory services offered by MFI's on the achievement of Strategic objectives in S.M.E's

### **1.4 Research Hypotheses**

Ho<sub>1</sub> Training offered by MFI's has no significance role on the achievement of strategic Objectives by S.M.E's

Ho<sub>2</sub> Financing offered by MFI's has no significant role on the achievement of strategic Objectives by S.M.Es

Ho<sub>3</sub> Advisory services has no significance role on the achievement of strategic objectives by S.M.E.s

### **1.5 Significance of Study**

This research would be of benefit to the SMEs because they would be able to use the results of this study to overcome the challenges that might be preventing them from accessing finances with ease from MFIs. They would also be able to understand the views that the MFIs have towards the financing done to SMEs.

The study would also inform entrepreneurs in the SME sector in general on the influence of micro finance services on growth of such ventures. Moreover, the micro finance institutions and other established lending institutions would also gain by developing policies that are favorable to small business entrepreneurs in order to access funds for business investment. Besides, the study would also be significant in providing relevant information to the government, especially the ministry of youths and sports, trade and industries, on formulation of policies that would be favorable to the growth of entrepreneurship in the country.

In addition, the study would also be helpful to the micro-financial institutions in adopting suitable financial strategies that would continue to spur economic development through promotion of small and medium business. The government because of the findings of this study may find ways in which they can provide security and collaterals for the loans that the SMEs take from the MFIs.

The NGOs may find the findings of this study of immense importance in finding ways of helping the SMEs in Kenya. This study can provide a basis of sourcing funding from donors that will help in the financing of business operations of the SMEs in the country.

This study would also be of immense significance to the scholars because it would add to the existing pool of knowledge on the impacts that MFIs have on the achievement of strategic objectives of SMEs. This study would form part of the references from which researchers can get information about the accessibility of financial resources by SMEs and also the challenges that SMEs face.

### **1.6 Scope of the Study**

The target populations were the SMEs operating in Nakuru Town. Questionnaires and interviews were used as tools for data collection. The study was done in the period of June –Nov, 2016

### **1.7 Limitations and Delimitation of the Study**

The study focused only on the SMEs that are within Nakuru town, that have strategic plans and MFI's in Nakuru. During the course of the research the study did not focus much on the operations of SMEs but a big attention was on their achievement of strategic objectives. There is also Limited use of statistical tools

### **1.8 Operationalization of Terms.**

**Advisory Services-**Are a range of consulting services provided by Certified Public Accountants (CPA) and other financial advisors such MFIs to businesses and high net worth individuals who require specialized advice on capital formation, cash flow and wealth management (pajares 2002). In this study it will be taken to mean the same.

**Financing-** Financing is the act of providing funds for business activities, making purchases or investing. Financial institutions and banks are in the business of financing as they provide capital to businesses, consumers and investors to help them achieve their goals. The use of financing is vital in any economic system, as it allows companies to purchase products out of their immediate reach. (Peng & little john, 2001). In this study it will be taken to mean the same.

**Micro Finance Institutions-**A microfinance institution is an organization that offers financial services to low income populations. Almost all give loans to their members, and many offer insurance, deposit and other services (Scott 1987). In this study it will be taken to mean the same.

**Small Medium Enterprises-**According to Garikai (2011) SMEs are defined by number of workers employed, capital employed and sales turnover. SMEs are thus classified by the number of employees and/or by the value of their assets. According to Central Bureau of Statistics (CBS), International Centre of Economic Growth (ICEG) & K-REP Holdings (1999) SMEs refers to a firm with 11-100 employees

**Strategic Objectives-**It refers to the attempt to prepare for all eventualities by abstraction and thus to account for the complexity and the dynamics of the environment and entails the need to build alternative future scenarios and configurations (Kraus,Reiche & Reschke,2008)

**Strategy-** According to Chandler (1962) a strategy is the determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources for carrying out these goals.

**Training-** Is a planned process to modify attitude, knowledge or skill behaviour through a learning experience to achieve effective performance in any activity or range of activities. Its purpose, in the work situation, is to develop the abilities of the individual and to satisfy current and future manpower needs of the organization(Manpower Services Commission, 1981).



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter presents the review of literature from other researchers who have carried out similar researches in the same field of study. The focus of this study was conducted in Nakuru town and provided an in-depth presentation of the achievement of strategic objectives by S.M.Es. The specific areas covered are theoretical review, empirical review and conceptual framework.

#### 2.2 Overview of Micro Financial Services to SMEs

Microfinance services refer to a variety of financial services that target low-income clients, who also happen to be engaged in small scale business enterprises. According to Patrianila (2013), SMEs sector has often failed to register exponential growth due to absence of refinancing capital, as these enterprises hardly meet the lending conditions set up by banks, hence this gap is currently being filled by the entry of microfinance institutions. Reporting from the survey undertaken in Singapore based on the influence of micro finance products on the growth of the SME sector, Bolivia (2012) noted that micro finance comes in packages of credit, savings and training on entrepreneurial skills to the clients in small businesses. He observes that these products significantly influence growth of these enterprises as the entrepreneurs gain skills necessary for managing business.

One of the important roles of SMEs in this context includes poverty alleviation through job creation. For instance, in the Netherlands, SMEs account 98.8% of all private sector companies, contribute 31.6% to Gross Domestic Product (GDP), and employ 55% of total workforce (EIM Business & Policy Research, 2009). In the United States of America, Jandaya (2013) indicates that micro finance institutions have expanded and generally focus on SME sector for its clients who have often been ignored by large commercial lending institutions and this has facilitated the growth of the SME sector. He further observes that the products commonly offered to SME clients range from loans, savings, information and aspects of training on entrepreneurial best practices.

According to Beliah (2014), basing her study on the influence of financing on growth of SMEs in Zambia, low income business entrepreneurs normally encounter challenges of growth due to

lack of adequate funding, often borrowed from friends and relatives because they lack collaterals for bank loans. She notes that this reality has led to the emergence and popularity of micro finance institutions giving soft loans calculated against ones savings. According to Onani(2010), small and medium business enterprises are steadily turning around the economy of most of the West African countries through job creation and poverty alleviation and this growth is attributed to the various products tailored by the micro finance sector to the needs of the SME domain. He further lists the crucial products micro finance institutions advance to the low income entrepreneurs as credit, saving, training and overdrafts. In Uganda, small scale business entrepreneurs often turn to local community informal lending outfits that charge exorbitant interests, just because mainstream banks have terms and conditions of lending generally met by large business ventures. This is has led to low growth of the SME sector.

Recently, micro finance organizations have emerged to reverse this trend to ensure that, in this age of massive unemployment, more opportunities are created in the business sector, Mololo (2011). In the Kenya National Micro and Small Enterprise Baseline Survey of 1999, there are close to 1.3 million micro and small scale business enterprises employing nearly 2.3 million people or 20% of the country's total employment and contributing 18% of overall GDP and 25% of non-agricultural GDP. Despite this important contribution, only 10.4% of the micro and small scale business enterprises receive credit and other financial services as the formal banking sector in Kenya has over the years regarded the informal sector as risky and not commercially viable, Ndinya, Cole, Goldberg and White (2010). The demand of basic financial services by the poor is evidently huge worldwide. Based on the estimates by the World Bank (2010), over 2 billion people are in need of credits for business start-ups and growth. In 2008, there were 2.8 billion people worldwide living on less than 2 dollars a day, 50 million Micro-finance Institutions (MFIs) and 700 million of microfinance beneficiaries (Afrane, 2008).

The provisions of financial services to the low-income households and small scale business enterprises provide an enormous potential to support the economic activities of the poor and thus contribute to poverty alleviation (Malonza, 2007). Widespread experiences and research have shown the importance of savings and credit facilities for the poor and small scale business enterprises. This puts emphasis on the sound development of microfinance as a vital ingredient for investment, employment and economic growth. Studies in the Kenyan economic sector have

shown that enterprises with poor access to credit tend to be less productive and are unable to operate efficiently, Mwamba (2009).

However, in spite of the importance of this sector, experience shows that provision and delivery of credit and other financial services to the sector by formal financial institutions, such as commercial banks has been below expectation. This means that it is difficult for the poor to climb out of poverty due to lack of finance for their productive activities. Therefore, new, innovative, and pro-poor modes of financing low-income households and small scale business enterprises based on sound operating principles are being developed in Kenya, Komala (2013). In the past, microfinance institutions (MFIs) established using either an NGO or a savings and credit co-operative societies framework have been important sources of credit for a large number of low income households and small scale business enterprises in the rural and urban areas of Kenya, Akilo (2012). In Nakuru County, micro finance institutions have been established targeting small business and medium enterprises, yet the rate of uptake of these services has remained less impressive in attainment of strategic planning, Morara (2014).

### **2.2.1 SMEs and Strategic Objectives**

Access to markets and marketing information remains a severe constraint to SMEs development and competitiveness in Kenya. Prescribed policies to address these challenges seem not to be effective (GOK, 2005). Overall aggregate demand is low; markets are saturated due to dumping and overproduction, and in most cases markets do not function well due to lack of information and high transaction costs. Most of the SMEs are ill-prepared to compete in globalised liberalized markets while fewer are capable of venturing into the export markets to tap into new market frontiers. This confines majority of SMEs to narrow local markets characterised by intense competition. Small capital base and limited technology also confine SMEs to poor quality products that cannot compete effectively in a globalised competitive market environment. (KIPPRA, 2006).

SMEs seem ill equipped to embrace opportunities presented while confronting challenges of globalization. Globalization offers SMEs Opportunities to participate in the regional and international markets while internationalisation presents opportunity for growth and development beyond the local market. However globalized production by multinationals presents new threats in form of increased competition. (Kaushalesh & Peedoly, 2006) Limited access to global

markets denies SMEs significant opportunities confining them to saturated local markets whereas internationalization is necessary for their survival and expansion. Barriers that limit SME internationalisation include limited information on foreign markets and technology, lack of managerial skills, limited knowledge and limited resources to finance exports, inefficient transactions and limited product and service quality to meet customer requirements (OECD, 2010).

Finance affects firm growth in different ways. At the micro economic level, there is a widely held view that the slow growth of firms is the result of lack of access to financial resources. Neoclassical literature indicates that as firms are rationed out of credit, they may be forced to curtail investments. At the same time, empirical studies reveal that, for firms that survive macroeconomic instability, access to credit increases firm growth. Nkurunziza (2005) argues that the use of bank credit can affect firms' growth through profitability. Kenyan firm studies indicate that the use of credit increases firm growth, with firms citing access to credit as one of their main constraints.

Realizing strategic direction requires organizational capability. It is increased capability ultimately that provides the bridge from current reality to the desired destination and is driven by individual competency. Focusing on increasing organizational capability requires developing the collective capabilities of various groups and teams in the organization. Corporate success is not the realization of visions, aspirations, and missions - the product of wish-driven strategy but it is the result of a careful appreciation of the strengths of the firm and the economic environment it faces (Newbert, 2007). The strategy of successful firms is adaptive and opportunistic. Yet in the hands of a successful company an adaptive and opportunistic strategy is also rational, analytic, and calculated. Adaptiveness does not mean waiting for something to turn up.

Opportunism is only productive for a firm which knows which opportunities to seize and which to reject. Corporate success derives from a competitive advantage which is based on distinct capabilities, which is most often derived from the unique character of a firm's relationships with its suppliers, customers, or employees, and which is precisely identified and applied to relevant markets (Kay, 1993, p. 4). Deploying resources into separate activities of the organization and into the processes of linking these activities together creates competence. The emphasis is on the

activities of an organization and the processes within the organization and overlapping organizational boundaries, not so much on resources (Johnson and Scholes 2002, p. 149).

Bessant et al. (2000) argue that competencies are made up of abilities which are results of behavioral routines. These routines create and are reinforced over time by artifacts such as organizational structures, procedures and policies. Thus, competencies are highly firm-specific combinations of behavioral routines and artifacts. For an organization to be successful, its leaders must not only act as architects of the strategy, setting the best course for the company in the marketplace, but must also continually work to implement strategic directives while also acting as translators of the strategy to the rest of the organization - the leaders who will actually be the doers of the work. Of course, this occurs at different leadership levels within the organization, but underscores the fact that leadership is needed throughout an organization for strategic and business success.

### **2.2.2 Strategic Management and Strategic Planning**

The strategy development process is closely related to management. From a corporate perspective, strategy can be defined as an approach to reach corporate goals in order to be successful on a long-term basis (Kraus, Reiche & Reschke, 2008). The discipline of strategic management was formed in the 1980s based on advancements in the field of strategic planning. In general, strategic management is regarded as long-term oriented (at least three years), directed towards future yield potentials, substantial, holistic, and predominantly associated with the highest management level which determines the vision, mission, and culture of the enterprise (Kraus, Reiche & Reschke, 2008).

Strategic planning is the attempt to prepare for all eventualities by abstraction and thus to account for the complexity and the dynamics of the environment. This entails the need to build alternative future scenarios and configurations. Although the future naturally cannot be foreseen, it is possible to prepare for the future and/or alternative futures and align the enterprise accordingly. In contrast to strategic management, it is not about visionary future concepts, but rather about extrapolating present development tendencies into future. Hence, strategic planning does not provide visions but, more specifically, guidelines and programs for the achievement of specific goals. Consequently, strategic planning specifies the basic conditions as well as the

scope for future business activities and thereby is a central instrument for strategic management, which, in turn, is responsible for goals and visions (Kraus, Reiche & Reschke, 2008). The investigation of young, small enterprises is of special interest since their strategies have to be developed in a highly emergent way (Kraus, Reiche & Reschke, 2008), reflecting their fast changing requirements. The following stages of planning can be delineated: 1. Simple financial plans; 2. Planning based on forecasts; 3. externally oriented planning (the entrepreneur begins to think strategically); 4. Pro-active planning of the corporate future (instead of reactions to market-based changes) 5. Strategic planning as a systematic instrument of strategic management.

### **2.2.3 Characteristics of Strategy Processes in SMEs**

O'Regan & Ghobadian, (2004) depict small and medium enterprises (SME's) as the "bloodline of modern complex economies", as the establishment and longevity of SME's are a sign of a healthy and expanding economy. In order to preserve the competitive position of SMEs, they are constantly challenged to optimally utilize the resources apportioned to innovative endeavors (Bennett & Robson, 2003). Protecting the competitive position of SMEs also requires attention to business strategy and the management of strategy within the SME. Strategic management is thus not the exclusive realm of corporate enterprises. In fact, SME's face many of the same challenges encountered by their larger, corporate counterparts (O'Regan & Ghobadian, 2004).

Meers & Robertson (2007) similarly affirm that firms of all sizes are constantly challenged due to a multitude of factors such as globalization, technology, emerging new markets and deregulation; and thus pro-activity in the form of sound strategy is needed to face these challenges. Strategy is thus no longer considered a luxury or optional; it is now a necessity. Rapid economic and technological changes in the global marketplace have resulted in SME's exhibiting many of the management development needs traditionally reserved for corporate enterprises.

In this regard, Mughan, Lloyd-Reason & Zimmerman (2004) state that insufficient research evidence exists on the significance, value and process of strategy and strategic objective management for SME's. Meers & Robertson (2007) pointed out that there is currently no evidence pointing towards an effective method for SME's when engaging in the process of strategy. Kraus, Harms & Schwarz (2006) reviewed a total of 24 empirical studies dealing with

strategic management issues in SME's; and concluded that research into strategic management efforts within SME's is still in its infancy. Similarly, Griggs (2002) conveys concern pertaining to the depth of previous research related to SME's and strategy; and further argues that such research used one-dimensional measures, which is not in line with the multi-dimensional nature of strategic management.

Many studies have shown that business failure is largely due to an organization's failure to plan. Norman and Thomas (2003) argue that by lacking a clearly defined strategy, a business has no sustainable base for creating and maintaining a competitive edge in the marketplace. According to Norman and Thomas (2003), businesses tend to have more chance to succeed when there is strategic planning in the organization. They continue to reason that without a clearly defined strategy, a business has no sustainable basis for creating and maintaining a competitive edge in the market place. In other words, strategic planning can lead to increase in performance whereas performance can lead to business success. However, such statements require the support of empirical research.

Planning in SMEs does not always take place in a highly sophisticated or formal way. It often occurs at least sub- or unconsciously as a sign of strategic thinking. Therefore, it remains to be seen whether SMEs do not plan strategically at all or whether they just do not plan in a formal way. Along these lines, Welter (2003) states that not only strategic planning itself but especially the quality of planning plays an important role. Planning in SMEs seems to be rather unstructured, sporadic, incremental and often not formalized. This suggests a rather systemic type of thinking in the entrepreneur/entrepreneurial team which might be imprinted on the organization for years to come. The actual process of decision-making that can be observed in reality often deviates substantially from the ideal picture of rationality. In this process entrepreneurs might engage too much in (informal)

Strategic management as vision development while neglecting bread and butter planning (Reschke, 2005). According to Simpson, Padmore, Taylor & Frecknall-Hughes (2006), the level of strategic awareness of owner-managers appears to be strongly influenced by the personal competence of the owner-managers and the type, uncertainty and complexity of the business. In businesses where customer relationships were well defined and relatively stable, strategic awareness was often low. This could be due to their perception of the external business

environment being narrowly defined and stable. In companies that experienced fast growth and turbulent market conditions the level of strategic awareness was uniformly high and the motivation for a continually better understanding of the external business environment was strong.

#### **2.2.4 Strategy Adoption and Implementation**

Strategy implementation is the process of allocating resources to support the chosen strategies. This process includes the various management activities that are necessary to put strategy in motion, institute strategic controls that monitor progress, and ultimately achieve organisational goals. The implementation process covers the entire spectrum of managerial activities including such matters as motivation, compensation, management appraisal, and control processes (Barnat, 2005) further argues that implementation of an organization's strategy involves the application of the management process to obtain the desired results.

Particularly, strategy implementation includes designing the organization's structure, allocating resources, developing information and decision-making processes, and managing human resources, including such areas as the reward system, approaches to leadership, and staffing. Barnat (2005) therefore concludes that, the implementation activities are in fact related closely to one another and decisions about each are usually made simultaneously.

As Higgins (1985) pointed out, almost all the management functions (planning, controlling, organizing, motivating, leading, directing, integrating, communicating, and innovation) are in some degree applied in the implementation process. Pearce and Robinson (1996) argue that for effective and direct control of an organization's resources, mechanisms such as organizational structure, information systems, leadership styles, assignment of key managers, budgeting, rewards, and control systems are essential strategy implementation ingredients. Additionally, organizational culture does play an important role in strategy implementation. The management has an obligation to establish organizational culture adaptation techniques to support the implementation of the strategy.

Implementation of strategy is the action phase of the strategic management process as it entails converting the formulated strategy into action and then into strategic results. This comprises eight critical managerial actions according to Thompson and Strickland (2003) and these include



creating an organizational structure with the competencies, capabilities and resources required to implement strategy; developing budgets to ensure that resources are allocated for strategic success; establishing policies and procedures to support strategy implementation; instituting best practices and striving towards continuous improvement; creating and implementing organizational systems that enable employees to effectively execute strategic roles; aligning rewards and incentives with the achievement of individual and organizational objectives; creating a culture that is aligned with the strategy of the organization; and practicing strategic leadership that is inclined towards the effective implementation of strategy. The study was confined to three of the above mentioned managerial actions in strategy implementation namely resource allocation, strategic leadership and organizational culture.

The literature suggests that most research on adoption achievement of strategic objectives is based on any one or a combination of the following key frameworks:

## **2.3 Theoretical Review**

### **2.3.1 Contingency Theory**

The term was coined by Lawrence & Lorsch in 1967 who argued that the amount of uncertainty and rate of change in an environment impacts the development of internal features in organizations. Contingency theory is a class of behavioral theory that claims that there is no best way to organize a firm, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situations. Contingency theory (Johnsen, 2005) states that complex organizations use performance measurement to reduce uncertainty and for legitimacy.

Historically, contingency theory has sought to formulate broad generalizations about the formal structures that are typically associated with or best fit the use of different technologies. The perspective originated with the work of Joan Woodward in 1958 who argued that technologies directly determine differences in such organizational attributes as span of control, centralization of authority, and the formalization of rules and procedures. Proponents of this theory argue that the best way to organize depends on the nature of the environment to which the organization must relate.

Organizations are open systems that need careful management to satisfy and balance internal needs and to adapt to environmental circumstances. There is no one best way of organizing. The appropriate form depends on the kind of task or environment one is dealing with. Management must therefore be concerned, above all else, with achieving alignments and good fits. Different types of organizations are needed in different types of environments. In the current study, contingency theory was applicable in emphasizing on the environment in which strategic planning adoption and implementation take place. In order to affect performance of SMEs, the environmental factors that influence strategic planning and implementation must be taken into consideration.

### **2.3.2 Institutional Theory**

The influence and durability of institutions is a function of the extent to which they are inculcated in political actors at the individual or organizational level, and the extent to which they thereby tie up material resources and networks (Clemens and Cook 1999:) Institutional theory focuses on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes; rules, norms, and routines, become established as authoritative guidelines for social behavior (Scott, 1987). Different components of institutional theory explain how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse. Institutional theory states that organizations exist in an institutional environment which defines and delimits its social reality (Scott, 1987). In the current study, institutional theory was applicable given that SMEs are organizations. It is the organization within which strategic planning adoption and implementation is taking place. The organization has structures, rules, norms and routines. The institutional theory therefore points out the need to focus on the institutional factors that are likely to influence strategic planning adoption, implementation and achievement.

### **2.3.3 Agency Theory**

In summary, the idea of agency theory can be attributed to Coase (1937) but the ideals of the theory have only been applied to directors and boards since the 1980's. According to this theory, people are self-interested rather than altruistic and cannot be trusted to act in the best interests of others. On the contrary, people seek to maximize their own utility. Proponents of the agency

theory opine that a firm's top management becomes more powerful when the firm's stock is widely held and the board of directors is composed of people who know little of the firm. The theory suggests that a firm's top management should have a significant ownership of the firm in order to secure a positive relationship between corporate governance and the amount of stock owned by the top management. One of the theories most frequently used to explain the adoption, implementation and achievement of strategic management and performance measurement in organizations is the agency theory. According to the agency theory (Bendor, Taylor and Gaalen, 1985), performance measurement is used in situations of asymmetric information and uncertainty for monitoring managers and linking them with the principal. Given that SMEs are more dependent than others on legitimacy and on financial resources, the formal implementation of structures such as strategic management may be used as a sign of efficiency and good business practices to respond to institutional or environmental pressure in order to secure legitimacy from owners or stakeholders and resources from the institutional environment.

In the current study therefore, agency theory was useful in explaining SMEs performance to its principals namely the entrepreneur and other stakeholders. The performance enables justification to seek more resources and support from the principals to carry out its operations. Previous studies done on strategic management in organizations have also shown a weakness in focusing on strategy process with little or no attempt at evaluating their adoption and effect of strategy implementation on organizational performance (Okumus, 2001). The study sought to address this gap by investigating the effects of MFI on achievement of strategic objectives by a selected SMES in Nakuru Town.

## **2.4 Empirical Review**

Gibson and Cassar (2002) conducted a longitudinal survey involving 3554 SMEs with less than 200 employees in Australia. They found that more than 30% of the enterprises apply documented planning, however only 50% of those on an annual basis. Bigger companies plan more than smaller ones. The higher the level of education, the more likely planning is. The higher the number of years of professional experience, the lower the probability to plan. Leitner (2001) did a study comprising of 100 SMEs with 50-500 employees across three sectors namely wood/furniture, chemicals/synthetic and metal/machinery.

A personal interview with questionnaires method was employed. The study established that most SMEs frequently apply SWOT analysis (55%), while those who applied portfolio techniques and product cycle analysis were less than 20%. None of the examined SMEs used core competency planning while 88% develop strategies due to experience, 31% due to intuition and 62% of the enterprises had a written corporate policy.

Peng and Little John (2001) focused on organizational communication within multi-unit organizations in order to understand better the strategy implementation process from a communication perspective. They investigated hotel chains in UK with diversified business portfolios that were in the process of implementing a strategic initiative. They found that effective communication is a primary requirement of effective implementation but it does not guarantee the effectiveness of implementation. The study by Peng and Little John (2001) took place in the United Kingdom and involved hotels in the private sector. United Kingdom is considered to be a developed country with a different operating environment from Kenya for organizations.

This study sought to investigate the situation in a developing country context focusing on SMEs. Implementation is widely recognized as one of the greatest point of weakness for all strategy initiatives. According to Meldrum and Atkinson (1998), there is a need to focus on the fundamental managerial attributes which they refer as meta-abilities. Meldrum and Atkinson (1998) noted that many organizations have tried to overcome this problem through building the management competencies of their managers.

They also noted that what tends to be absent from the development programmes designed to do this is attention to any higher order or enabling competencies. They used a case study approach to illustrate the sort of pitfalls involved and some implications for using management development in this way. They argue that without greater attention to these more fundamental managerial attributes, most management development programmes will lose their strategic effect.

There is a myriad of factors that influence strategy implementation that include individual and organizational factors. With an aim of developing an implementation framework, Okumus (2001) conducted a critical review of previous research and identified ten implementation

variables which were used to construct a conceptual framework. Okumus (2001) investigated the implementation process of a strategic decision in two international hotel groups via in-depth, semi-structured interviews, observations and documentation analysis. Okumus (2001) found initial conceptual framework to be useful as it grouped key variables together and illustrated their roles when implementing strategic decisions. However, three new variables emerged from Okumus (2001) findings.

The three variables were multiple project implementation, organizational learning and working with external companies. Okumus (2001) proposed a revised framework to include these variables. He concluded by emphasizing the importance of contextual variables in implementation and dispelled the strategic management notion of “fit”.

The study by Okumus (2001) is in line with this current study in regard to emphasizing contextual variables. However, Okumus (2001) study concentrates on large business organizations and therefore ignores the SMEs and also assumes that a proper implementation framework will result to better organizational performance. Sakyi & Bawole (2009) did a study on challenges in implementing code of conduct within the public sector in Anglophone West African countries.

They used perspectives from public managers to report on barriers to the implementation of code of conduct in the public sector. They adopted a qualitative research strategy using focused group interviews for 35 serving senior, middle and junior level managers drawn from Ghana (8), Nigeria (9), Gambia (7), Liberia (6) and Sierra Leone (5). Sakyi & Bawole (2009) found that all the countries were making frantic efforts at improving the ethical conduct of public sector managers through the introduction of various reforms measures including code of conduct as key components.

However, the practical application of the code of conduct in public administration was found to be limited. The reasons given for this included deficiencies in code implementation, lack of exemplary leadership, ineffective reward and punishment system and unsupportive public service organizational culture. Sakyi & Bawole (2009) recommended remedial actions as establishing a strong leadership, rigorous application of a reward and punishment system and supporting organizational culture.

### **2.4.1 Finance and achievement of Strategic Objectives**

Elsenhardt & Martin (2000) used the Resource Based Theory to demonstrate the importance of financial capital to the performance of SMEs. Access to financial capital to purchase fixed and current assets is important to sustaining a firm's competitive advantage. Empirical studies such as Wiklund & Shepherd (2004), Zhou & Chen (2008) identify that SMEs need financial capital to obtain physical resources in order to take advantage of business opportunities. Lack of physical resources is a critical failure factor SMEs. According to Bolingtoft et al. (2003), to establish and sustain an SME, the entrepreneur needs to have access to different types of resources (i) human capital; (ii) physical capital; and (iii) financial capital, each playing different, but equally important roles during the life cycle of a new SME. Bolingtoft et al. (2003) further point out that there are many explanations offered for the failure of new SMEs.

One of the most frequently cited reasons is resource poverty. Garcial-Teruel and MartinezSolano (2007) point out that non-availability of working capital is a major constraint to the survival and growth of new SMEs. Pretorius and Shaw (2004) posit that financial capital can be internal or external. A vast majority of SMEs depend on internal finance Internal finance is often inadequate for SMEs to survive and grow. Carpenter & Petersen (2002) find that growth of SMEs is constrained by dependence on internal finance.

Fierce competition in the light of globalization trends, rapid technological development, shorter product cycles, and innovation requirements has put pressure on SMEs to increase and speed up their development investments. It is, however, increasingly difficult to keep the costs within the constraints of self-financing. Therefore, SMEs need capital from external sources. Consequently, it is hypothesized that there is a positive relationship between access to external financial capital and the performance of SMEs

### **2.4.2 Entrepreneurial training and achievement of Strategic Objectives**

A research by Charney & Libecap (2000) found that entrepreneurship education produces self-sufficient enterprising individuals. Furthermore, they found that entrepreneurship level of training increases the formation of new ventures, the likelihood of self-employment, the likelihood of developing new products, and the likelihood of self-employed graduates owning a high-technology business. Also, the study revealed that entrepreneurship education of employee increases the sales growth rates of emerging firms and graduates' assets.

Similarly, Sinha (1996) who analysed the educational background of the entrepreneur revealed that 72% of the successful entrepreneurs who had a minimum of technical qualification, whereas most (67%) of the unsuccessful entrepreneurs did not have any technical background. She summed up that entrepreneurs with business and technical educational background are in a better position to appreciate and analyze hard reality and deal with it intuitively, which seems to play a critical role in entrepreneurial effectiveness. As long as Small scale business enterprises continue to lack social resources such as access to education they will only be able to make limited use of the financial resources they have obtained. As Cheston and Kuhn (2002) observe.

The ability of a woman to transform her life through access to financial services depends on many factors, some of them linked to her individual situation and abilities and other dependent upon her environment and the status of small scale business enterprises as a group.

Since education and credit sources are important determinants of the level of credit, the training by the MFIs picks up their impact. Small scale business enterprises enjoy a high success rate regarding positive response and amounts received if they are well trained by the MFIs.

These high success rates suggest near perfection in the self-selection and application targeting processes. Variations in success rates run across activities, spatially, across the formality/informality divide and credit sources (Dunford, 2001). The term self-efficacy, derived from Bandura's 1977 social learning theory, refers to a person's belief in his or her capability to perform a given task. According to (Ryan, 1970), self-perception plays an important role in the development of intention. Intentions and their underlying attitudes are perception-based, which should mean that they are learned and can be continuously influenced, and not fixed by personality traits formed in early childhood. Accordingly, they will vary across historical and cultural contexts. (Cromie, 2000) stated that self-efficacy affects a person's beliefs regarding whether or not certain goals maybe attained.

The attitude provides the foundation for human motivation (Pajares, 2002) and personal accomplishment: unless people believe that their actions can produce the outcomes they desire, they have little incentive to act or to persevere in the face of adversities (Pajares, 2002).

(Bandura, 1977) pointed to the fact that, people's level of motivation, affective status and actions are based more on what they believe than on what is objectively true. An individual's perception of self-efficacy has a strong influence on how he or she will act and how the available

knowledge and skills was utilized. Consequently, people behave according to beliefs about their capabilities rather than on real facts based on their competence and capabilities.

#### **2.4.4 Advisory Services and achievement of Strategic Objectives**

Gautam (2000) conducted a systematic review of extension services by institutions to farmers and effect on a sustained increase in agricultural productivity in Kenya. The evaluation results indicated that the project had some impact in terms of increased geographical coverage and an increased research-extension linkage but limited institutional development impact. Furthermore, the study indicated that the extension system was ineffective and inefficient in delivering the desired services to farmers, had only a limited impact on productivity, and, more important, was not financially sustainable.

Kumar & Quisumbing (2010) examined the impact of the adoption of new technologies and advisory services on Household welfare in Bangladesh. The researchers found a positive and significant increase in consumption expenditures and asset accumulation by firms, but no significant change in consumption expenditures and asset accumulation was registered by firms who adopted improved ideas.

The independent evaluation Group (2011) provides perhaps the most comprehensive review of impact evaluation studies to date of institutional interventions by diverse individuals and groups, the authors observe that most business evaluations applied quasi-experimental or non-experimental methods and only a few evaluations considered the counterfactual to measure change resulting from the intervention.

The common denominator for comparing results is whether an intervention has a positive impact on the targeted outcomes. In their meta-analysis, the authors indicate that impact evaluations of World Bank supported interventions accounted for one-quarter of the evaluations covered by the analysis; of these, two-thirds had positive effects on various agricultural dimensions. They concluded that interventions that sought to improve yields or income by addressing market linkage failures, easing access to technologically enhanced inputs and promoting entrepreneur knowledge through advisory services had the highest share of positive effects.



## 2.5 Conceptual Framework

The conceptual framework in this study is made up of independent variables (MFIs services which affect the dependent variable (achievement of strategic objectives)). The independent variables are Training, Financing and Advisory Services) in the context of services offered by MFIs. There are two intervening variables that were expected to indirectly affect achievement of strategic objectives. These intervening variables include political stability and government regulations.

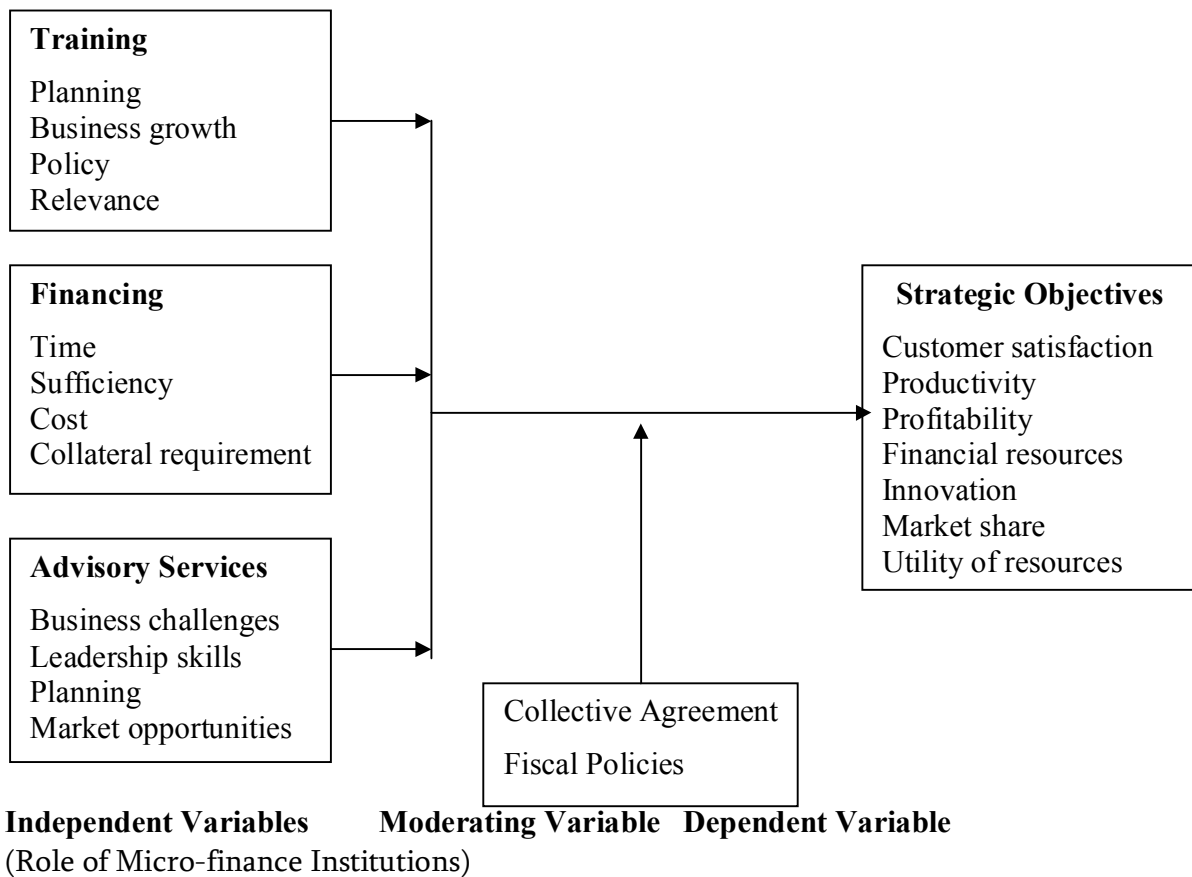


Figure 2.1: Conceptual Framework

## 2.6 Research Gap

In light of the roles played by MFI's in Nakuru town, the Achievement of Strategic objectives have not been static and vary from institution to institution. The roles are unique to each institution and previous researches should not be presumed to apply uniformly. Research into the micro finance institutions services demonstrates how the manipulation of the training,

finance and advisory services can produce profound differences in Achievement of Strategic objectives in SMEs. From the literature reviewed the outcome of this study is expected to guide the SMEs on the general influence of MFIs services on SMEs and the achievement of their business objectives.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

In this section various methods that were used in carrying out the study were explained. The chapter is organized in the following subsection. Research design, population, sample and sampling procedures, instrumentation data collection procedures and data analysis.

#### 3.2 Research design

Research design are plans and the procedures for research that span the decision from broad assumptions to detailed methods of data collection and analysis (John, 2009). The descriptive survey design method was useful in exploring how the role of MFIs affects the attainment of strategy objectives among SMEs in the study area. It is an efficient approach of collecting data regarding characteristic of sample of a population, current practices, conditions or needs (Chandran, 2004).

#### 3.3 Target Population

Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate (Babbie, 2002). The research targeted all 1,227 SMEs given by the 6 major MFIs found in Nakuru and with strategic plans as identified by MFI's managers.

#### 3.4 Sampling Design and Sample Size

Sampling is taking any portion of a population or universe as representative of that population (Kerlinger, 1983). The researcher adopted purposive sampling in data collection. The sample size was calculated using the formula propounded by Nassiuma, (2000).

$$n = \frac{NC^2}{C+(N-1)e^2} \dots \dots \dots (1)$$

Where n = sample size, N= population size C = Coefficient of variance, e=standard error of sampling.

N=Target Population =1,227

c = Coefficient of variance =30%

e= Error Term =2%

Using formula (1), the sample size for the SMEs was 140 as shown below

$$n = \frac{1227 * 0.3^2}{0.3 + (1227 - 1)0.02^2} = 140$$

Proportional stratified random sampling with probabilities was used to allocate size of the samples in each stratum using the formula in equation (2) as shown in table 3.1

Table 3.1:

*Sample Size*

<b>Institutions</b>	<b>Population</b>	<b>Sample</b>
Kenya Women Finance Trust (KWFT)	415	47
Faulu Kenya	370	42
Small and Micro Enterprises Programmes (SMEP)	133	15
Umoja Entrepreneur Credit(K) Ltd	112	13
Micro Kenya	103	12
Ebony Capital	94	11
<b>Total</b>	<b>1,227</b>	<b>140</b>

$$n_i = \left(\frac{n}{N}\right) N_i \dots \dots \dots (2)$$

Where  $n_i$  = sample size of the strata i

$N_i$  = Population of strata i

n = total sample size

N = Total population

### 3.5 Data Collection Procedure

Closed and open-ended questions were used in collecting primary data. Drop and pick method as well as mailing were used in the administration of the questionnaire and to ensure the questionnaire yield consistent results, a pilot test was carried out. Pretesting was done on SMEs in Njoro town which were not included in the sample of the study in order to ensure enough precision. This will ensure that the measure actually measures what it claims.

### 3.6 Data Analysis

Descriptive and inferential statistics were employed to enable the researcher describe and examine the relationship between variables. Descriptive statistics involved the use of frequencies, percentages and a chi-square test. The study findings were presented using tables. Pearson's Correlation was used to show the relationship between variables while regression analysis was used to determine the variation caused by the independent variables on the dependent variable. The regression equation is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where;

Y = Achievement of strategic objective (Dependent Variable)

X<sub>1</sub> – X<sub>3</sub> – Independent Variables

X<sub>1</sub> = Training

X<sub>2</sub> = Access to Finance

X<sub>3</sub> = Advisory Services

β<sub>0</sub> = Co-efficient of the model

β<sub>1</sub> – β<sub>3</sub> = Beta Co-efficient of Determination

e = Stochastic Error Term

### 3.7 Validity and Reliability of Instruments

For a research study to be accurate, its findings must be reliable and valid. Reliability means that the findings would be consistently the same if the study were done over again. Validity refers to the truthfulness of findings. The researcher used Cronbach's alpha since it is a coefficient of internal consistency commonly used as an estimate of the reliability. A reliability coefficient of 0.7 or over was assumed to reflect the internal reliability of the instruments.

Table 3.2

#### *Measures of Internal Consistency*

<b>Variable</b>	<b>Cronbach's Alpha</b>	<b>Cronbach's Alpha Based on Standardized Items</b>	<b>No of Items</b>
<b>Training</b>	0.947	0.943	7
<b>Financing</b>	0.800	0.768	7
<b>Advisory Services</b>	0.775	0.769	7

### **Cronbach's Coefficient alpha**

The results in table 3.1 revealed that the Cronbach's Coefficient alpha applied to measure the consistency of the questionnaire resulted into an overall measure of consistency of 0.840. The less variation the instrument produces in repeated measurements of an attribute, the higher is its reliability. This method is used to measure the reliability of the questionnaire between each field and the mean of the whole fields of the questionnaire. The normal range of Cronbach's Coefficient alpha is between 0.00 and +1. The higher the value, the greater the consistency among the measures. The results show that the questionnaire was reliable.

### **3.8 Ethical Considerations**

Prior to the study, the researcher reviewed the ethical requirements related to academic research in order to ensure full compliance. The researcher sought and obtained informed consent from the respondents before they completed the questionnaires. Specifically, the researcher explained the objectives of the study and assured the respondents that the data obtained from them would be used only for the purpose of the study. The respondents were also assured of confidentiality.

## CHAPTER FOUR

### DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

#### 4.1 Introduction

This chapter presents the results and findings of the study. The purpose of the study was to examine roles of MFIs services on the achievement of strategic objectives in SMEs in Nakuru town. Data was gathered in a quantitative form using questionnaires from 117 respondents out of the targeted sample of 140. The response rate was 83 percent, which was acceptable for this research. The findings of the study are presented in form of frequencies, mean, percentages and Pearson regression analysis.

The first part presented an analysis of the demographics such as gender, duration of work and general information regarding the entrepreneur. The second part explored the information designed to respond to the research question as outlined in the study.

#### 4.2 Response rate

The researcher issued out one-hundred and forty (140) questionnaires. Of which 122 were returned, yielding a response rate of 83.8%. According to Mugenda & Mugenda (2003), who reports that a response rate of 50% and above is acceptable. Five (5) questionnaires were eliminated because of incomplete responses; therefore, one hundred and seventeen (117) questionnaires were used for data analysis.

Table 4.1:

<i>Response rate</i>			
<b>Questionnaires issued</b>	<b>Number returned</b>	<b>Number spoilt</b>	<b>Response rate</b>
140	117	5	83%

### 4.3 Demographic Characteristics of Respondents

The demographic characteristics that were considered in this study were gender, years in operation and education levels.

#### 4.3.1 Gender of the respondents

The gender of the respondents was as shown in Table 4.1.

Table 4.2:

*Gender of respondents*

	Gender	Frequency
	Male	35
	Female	71
	Total	106
Missing	System	11
Total		117

Out of the 106 valid questionnaires, there were 67% (n=71) female and 33% (n=35) male respondents. The data suggests that there are more female respondents than male respondents who took part in the research. Gachutha (2006) asserts that females have a more positive disposition towards being trusted than males. Similarly, Belt, Richardson, and Webster (1999) maintain that women are sociable and empathic and therefore have better communication skills than men. Macdonald & Sirianni (1996) believe that women are expected to be more nurturing and emphatic than men and to tolerate more offensive behaviour from those they help or finance. This perhaps explains why there are more women SMEs in Nakurutown.

#### 4.3.2 Years in Operation

Years of experience as a demographic variable are important to this study because comparisons reveal differences in achieving the strategic objectives by different groups which will enrich the study. The duration of SME's has different perspectives to the things that affect their efficiency and effectiveness on the job; therefore, it was important to establish whether different years in operation had different levels of achieving the strategic objectives.



Table 4.3:

*Years in operation*

Years in operation	Frequency
1-5 years	40
6-10 years	33
11-15 years	17
16-20	6
over 20 years	10
Total	106

The majority of the respondents (37.7%, n=40), had less than five (5) years' been in operation. Only 9.4% (n=10) had been in over 20 years' operation. This corresponds with the findings of Coffman & Gonzalez-Molina (2002) who report that, in general, workers start off energized and engaged with their jobs but tend to drop off in as little as six months, and significantly decline in engagement after ten years of employment. It is therefore, possible that most SME's opt out of after serving for some time.

#### 4.3.3 Education Levels

Frequency presentation was used by the researcher to present the level of education and of the respondents.

Table 4.4:

*Level of Education.*

Level of education	Frequency	Percentage
Certificate	34	29
Diploma	45	38
Degree	38	32

Source:Primary data

From table 4.4, the respondents who possessed certificate level of education were (29%), the majority being the diploma holders, 38% and 32% being the masters' holders.

#### 4.4 Descriptive findings on scales

The findings of the study were related to the four research questions and the responses attained from questionnaires. The study findings on the research questions covered aspects of training, financing and advisory services. The researcher prepared a Likert scale and computed a total score for each respondent. These together with other items were each rated on a 5-point Likert scale ranging from: 1= Strongly Agree to 5= Strongly Disagree and the results summarized and presented.

##### 4.4.1 Training Services

The first research question sought to establish the role of training offered by MFI's on the Achievement of Strategic objectives in selected S.M.E's. The researcher sought to analyze the relationship between training services on the Achievement of Strategic objectives. The objective was achieved by asking the respondents to respond to questions that best described their views and opinions.

Table 4.5:

<i>Training Services</i>							
<b>Training services</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>	$\chi^2$	p-value
Training programs offered by MFIs is relevant to the business	66(52)	43(25)	8(7)	-	-	76.9	0.01
The Training services conducted is of sufficient duration to meet our business needs	46(40)	43(37)	12(10)	9(8)	6(5)	83.1	0.01
The Training programs are helpful in daily running of the business	53(45)	55(47)	9(8)	-	-	89.4	0.01
My lender has a training programme that is flexible to all our employees	80(68)	37(32)	-	-	-	74.2	0.01
Training programs offered by MFIs are helpful to business performance in the long run	76(65)	41(35)	-	-	-	64.6	0.00
MFIs make a follow up on the trainings to ascertain implementation of what was taught	61(52)	53(45)	3(3)	-	-	70.6	0.01
Micro finance institutions training services help me in setting of realistic goals for my business.	67(58)	35(30)	8(7)	6(5)	-	72.8	0.01

Majority of the respondents (Strongly agreed and agreed) significantly ( $\chi^2=76.9$ ,  $P \leq 0.001$ ) that training programs offered by MFIs is relevant to the business. Concerning Training services

conducted is of sufficient duration to meet our business needs, the respondents (strongly agreed and agreed) ( $\chi^2=83.1$ ,  $P\leq.001$ ). The respondents (Strongly agreed and agreed) significantly ( $\chi^2=89.4$ ,  $P\leq.001$ ) that training programs are helpful in daily running of the business. My lender has a training programme that is flexible to all our employees was significant ( $\chi^2=89.4$ ,  $P\leq.001$ ). Training programs offered by MFIs are helpful to business performance in the long run was indicated strongly and significantly at ( $\chi^2=64.4$ ,  $P\leq.001$ ). The findings established that (97%) of the respondents strongly agreed and agreed ( $\chi^2=70.6$ ,  $P\leq.001$ ) that MFIs make a follow up on the trainings to ascertain implementation of what was taught. Finally on micro finance institutions training services helps me in setting of realistic goals for my business majority of the respondents (88%) (Strongly agreed and agreed) significantly ( $\chi^2=72.4$ ,  $P\leq.001$ ).

All the above responses returned a Chi square values that were significant ( $P$  values  $< 0.01$ ). It is clear from the above findings that most of the respondents were in agreement that the reason for achievement of Strategic objectives in selected S.M.E.'S In Nakuru Town was influenced by training.

A research by Charney & Libecap (2000) found that entrepreneurship education produces self-sufficient enterprising individuals. Furthermore, they found that entrepreneurship level of training increases the formation of new ventures, the likelihood of self-employment, the likelihood of developing new products, and the likelihood of self-employed trained entrepreneurs owning a high-technology business. Also, the study revealed that entrepreneurship education of employee increases the sales growth rates of emerging firms and business assets.

#### **4.4.2: Financing services**

The second research question focused on the role financing offered by MFIs on the achievements of strategic objectives in SME's in Nakuru town. The respondents Indicated their level of Agreement by circling appropriately using a scale of 1 to 4 where; 1 (Strongly Disagree), 2 (Disagree), 3 (Agree) and 4 (Strongly Agree).

Table 4.6:

*Financing services*

<b>Financing services</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>	$\chi^2$	p-value
The financing offered by MFIs is disbursed in good time which enables us to meet our business goals.	62(65)	32(45)	5(8)	6(6)	2(1)	88.9	0.01
We are financed by MFIs at a friendly interest rates in comparison to other lending institutions	67(57)	36(31)	14(12)	-	-	79.5	0.01
The MFIs lend us sufficient loans as per our business demand	76(65)	41(35)	-	-	-	69.4	0.01
The period of the finance repayment is calculated as per the strength of the business	61(52)	53(45)	3(3)	-	-	89.4	0.01
MFIs always make follow ups in case of delayed finance repayment in order to correct the default in time	68(58)	35(30)	8(7)	6(5)	-	74.4	0.01
Financing services offered by MFIs is achieved with minimal collateral requirements.	67(57)	43(37)	8(7)	-	-	79.6	0.01
MFIs offer finances with flexible repayment mode	47(40)	43(37)	12(10)	9(8)	6(5)	66.6	0.01

Majority of the respondents (Strongly agreed and agreed) significantly ( $\chi^2=88.9$ ,  $P\leq.001$ ) that the financing offered by MFIs is disbursed in good time which enables us to meet our business goals. Concerning being financed by MFIs at a friendly interest rates in comparison to other lending institutions, the respondents (strongly agreed and agreed) ( $\chi^2=79.5$ ,  $P\leq.001$ ). The respondents (Strongly agreed and agreed) significantly ( $\chi^2=69.4$ ,  $P\leq.001$ ) that The MFIs lend us sufficient loans as per our business demand. The period of the finance repayment is calculated as per the strength of the business was significant ( $\chi^2=89.4$ ,  $P\leq.001$ ). MFIs always make follow ups in case of delayed finance repayment in order to correct the default in time was indicated strongly and significantly at ( $\chi^2=74.4$ ,  $P\leq.001$ ). The findings established that (64%) of the respondents strongly agreed and agreed ( $\chi^2=79.6$ ,  $P\leq.001$ ) that Financing services offered by MFIs is achieved with minimal collateral requirements. Finally on MFIs offer finances with flexible repayment mode majority of the respondents (77%) (Strongly agreed and agreed) significantly ( $\chi^2=66.6$ ,  $P\leq.001$ ).

All the above responses returned a Chi square values that were significant (P values < 0.01). It is clear from the above findings that most of the respondents were in agreement that the reason Achievement of Strategic objectives in selected S.M.E.'S In Nakuru Town was influenced by financing.

SMEs need financial capital to obtain physical resources in order to take advantage of business opportunities. Lack of physical resources is a critical failure factor in SMEs. According to Bolingtoft et al. (2003), to establish and sustain an SME, the entrepreneur needs to have access to different types of resources.

#### 4.4.3: Advisory services

The third research question focused on the role advisory services offered by MFIs influence on the achievement of strategic objectives of SME's in Nakuru Town. The respondents indicated their level of Agreement by circling appropriately using a scale of 1 to 4 where; 1 (Strongly Disagree), 2 (Disagree), 3 (Agree) and 4 (Strongly Agree).

Table 4.7:

<i>Advisory services</i>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>	$\chi^2$	p-value
MFIs advise us on investment challenges in our business	67(57)	43(37)	8(7)	-	-	71.8	0.01
MFI advise us on employee recruitment qualities for the business	47(40)	43(37)	12(10)	9(8)	6(5)	66.9	0.01
MFIs guide us in developing business goals within a specific period of time	53(45)	55(47)	9(8)	-	-	70.9	0.01
MFIs advises us on target formulation of the business	80(68)	37(32)	-	-	-	75.7	0.01
We are advised by MFIs on the financial matters within the business unit.	76(65)	41(35)	-	-	-	88.3	0.01
We are advised by MFIs on the predicted business opportunities in the business environment.	61(52)	53(45)	3(3)	-	-	76.2	0.01
MFIs offer advisory services on matters related to business management.	68(58)	35(30)	8(70)	6(5)	-	77.8	0.01

Majority of the respondents (Strongly agreed and agreed) significantly ( $\chi^2=71.8$ ,  $P\leq 0.001$ ) that MFIs advise us on investment challenges in our business. Concerning MFI advise us on employee recruitment qualities for the business, the respondents (strongly agreed and agreed) (

$\chi^2=66.9$ ,  $P\leq.001$ ). The respondents (Strongly agreed and agreed) significantly ( $\chi^2=70.9$ ,  $P\leq.001$ ) that MFIs guide us in developing business goals within a specific period of time. My lender has a training programme that is flexible to all our employees was significant ( $\chi^2=89.4$ ,  $P\leq.001$ ). Training programs offered by MFIs are helpful to business performance in the long run was indicated strongly and significantly at ( $\chi^2=64.4$ ,  $P\leq.001$ ). The findings established that the respondents strongly agreed and agreed ( $\chi^2=70.6$ ,  $P\leq.001$ ) that MFIs make a follow up on the trainings to ascertain implementation of what was taught. Finally on micro finance institutions training services helps me in setting of realistic goals for my business majority of the respondents ( (Strongly agreed and agreed) significantly ( $\chi^2=61.4$ ,  $P\leq.001$ ).

All the above responses returned a Chi square values that were significant (P values < 0.01). It is clear from the above findings that most of the respondents were in agreement that the reason Achievement of Strategic objectives in selected S.M.E.'S In Nakuru Town was influenced by advisory services.

World Bank in their support interventions to farmers accounted for one-quarter of the evaluations covered by the analysis; of these, two-thirds had positive effects on various agricultural dimensions. They concluded that interventions that sought to improve yields or income by addressing market linkage failures, easing access to technologically enhanced inputs and promoting entrepreneur knowledge through advisory services had the highest share of positive effects.

#### 4.4.4: Achievement of Strategic objectives

This section focuses on the role of MFIs services activities on the achievements of strategic objectives in SME's in Nakuru Town.

Table 4.8:

*Achievement of Strategic objectives*

Statement	SA	A	N	D	SD	$\chi^2$	p-value
Customers are being handled effectively and professionally in our organization	55(47)	55(47)	6(5)	2(2)	-	82.67	.0003
The organization continues to grow and expand in terms of market dominance.	73(62)	44(38)	-	-	-	65.20	.0001
We are able to improve on employee performance with minimal constraints.	67(57)	43(37)	8(7)	-	-	83.27	.071
We are able to utilize on our financial resources well due to proper identification of financial uses.	47(40)	43(37)	12(10)	9(8)	6(5)	62.80	0.000
Our productivity has improved due to efficient use of resources in the business.	80(68)	37(32)	-	-	-	86.90	.000
Adoption of new technologies has greatly improved development of new goods and services in the firm.	76(65)	41(35)	-	-	-	78.06	0.005
Our profit has gone up translating to business improvement.	61(52)	53(45)	3(3)	-	-	55.40	0.020
The physical resources (equipment and facilities) are well utilized.	68(58)	35(30)	8(7)	6(5)	-	67.70	.0001

The result in table 4.8 reveals that dependent variable indicates significance in the realization of the strategic objectives. On probing Customers are being handled effectively and professionally in our organization the respondents agreed ( $\chi^2=61.4$ ,  $P\leq.001$ ) to that statement. On the organization continues to grow and expand in terms of market dominance the respondents agreed ( $\chi^2=65$ ,  $P\leq.001$ ). The results also reveal that they were able to improve on employee performance with minimal constraints ( $\chi^2=83$ ,  $P\leq.001$ ), while being able to utilize on our financial resources well due to proper identification of financial uses ( $\chi^2=62$ ,  $P\leq.001$ ). Our productivity has improved due to efficient use of resources in the business was shown to be agreed ( $\chi^2=86$ ,  $P\leq.001$ ). Adoption of new technologies has greatly improved development of new goods and services in the firm ( $\chi^2=78$ ,  $P\leq.001$ ). Our profit has gone up translating to

business improvement ( $\chi^2=55$ ,  $P\leq.001$ ). The physical resources (equipment and facilities) are well utilized( $\chi^2=67$ ,  $P\leq.001$ ).

#### 4.5 Inferential statistics

This section tests the relationships between the different dependent and independent variable(s) in order to get an answer to the research questions. The hypotheses of the research form the basis. In order to know to what extent there is a relationship between the different variables, the correlation coefficient is examined. This coefficient is a measure which indicates the strength and direction of a linear relationship between two random variables. It can vary from -1 (perfect negative correlation) through 0 (no correlation) to +1 (perfect positive correlation) and is also known as the Pearson Correlation Coefficient (r-value). In other words, if the correlation coefficient value is close to either -1.0 or 1.0, it means that there is a strong negative or a strong positive relationship between the two variables, which implies that as one variable increases, the other increases. Generally the strengths of the correlations are determined on the basis of the following standard:

The Sig. (1-tailed/ 2-tailed) value expresses a value to accept or reject the (null) hypotheses. It is also called the p-value. The p-value is the probability that the correlation is one just by chance. Therefore, the smaller the p-value, the better. Generally the rule is: reject  $H_0$  if  $p \leq .05$  and accept  $H_0$  if  $p \geq .05$ .

Table 4.9:

#### *Summary of Correlation results*

		<b>Training</b>	<b>Financing</b>	<b>Advisory</b>	<b>Strategic Objective</b>
<b>Training</b>	Pearson Correlation	1			
	Sig. (2-tailed)				
<b>Financing</b>	Pearson Correlation	.321**	1		
	Sig. (2-tailed)	.000			
<b>Advisory</b>	Pearson Correlation	.406**	.386**	1	
	Sig. (2-tailed)	.000	.000		
<b>Strategic objective</b>	Pearson Correlation	.543**	.599**	.433**	1
	Sig. (2-tailed)	.000	.000	.000	



The Table 4.9 presents the results of the correlation analysis. The results revealed that training and strategic objective are positively and significant related ( $r=0.543$ ,  $p=0.000$ ). The table further indicated that financing and strategic objective are positively and significantly related ( $r=0.599$ ,  $p=0.000$ ). It was further established that advisory services and strategic objective were positively and significantly related ( $r=0.433$ ,  $p=0.000$ ). This implies that an increase in any unit of the variables leads to an improvement in achievement of strategic objectives.

#### 4.5.1 Regression Analysis

Regression analysis was used to determine the extent roles played by MFI affect's the Achievement of Strategic objectives in selected S.M.E.'S In Nakuru Town. In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value ( $p$ ) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant.

Table 4.10:

##### *Regression Results*

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
.759 <sup>a</sup>	.577	.550	.31447	.577	21.556	6	95	.000

The model is significant ( $R^2=.577$ ,  $F(6, 95) = 21.556$ ,  $p < 0.05$ ) and accounts for 57.7% of the variance in achievement of strategic objective, which implies that there are other variables not included in this study that account for 42.3% of the variance in achievement of strategic objective accounted by other factors not in the present study. The results of the regression indicated that individual and institutional factors individual are significant predictors of achievement of strategic objective and explained 57.7% of the variance ( $R^2=.577$ ,  $F(6, 95) = 21.556$ ,  $p < 0.05$ ). This implies that there are other variables that explain the remaining 42.3%, of the variation in achievement of strategic objective.

Table 4.11:

*ANOVA Model*

Model	Sum of Squares	Df	Mean Square	F	Sig.
<b>Between groups</b>	869.410	3	289.803	4.753	.000 <sup>b</sup>
<b>Within groups</b>	3963.024	65	60.970		
<b>Total</b>	<b>4832.435</b>	<b>68</b>			

a. Dependent Variable: strategic objective

b. Predictors: (Constant), Training, Financing, Advisory Services

Source: Research data, 2016

Table 4.12:

*Regression Results*

Model	Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
<b>(Constant)</b>	.435	.167		2.608	.009		
<b>Training</b>	.529	.043	.505	5.334	.000	.0702	1.321
<b>Financing</b>	.680	.041	.693	4.440	.000	.0551	1.537
1 <b>Advisory</b>	.455	.043	.457	10.694	.000	.0569	1.484

a. Dependent Variable: Achievement of strategic objective

The equation for the regression model is expressed as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

$$Y = 0.435 + 0.529 X_1 + 0.680 X_2 + 0.455 X_3$$

Where;

Y = Achievement of strategic objective (Dependent Variable)

X<sub>1</sub> – X<sub>3</sub> – Independent Variables

X<sub>1</sub> = Training

X<sub>2</sub> = Access to Finance

X<sub>3</sub> = Advisory Services

β<sub>0</sub> = Co-efficient of the model

β<sub>1</sub> – β<sub>3</sub> = Beta Co-efficients of Determination

$\epsilon$  = Stochastic Error Term

Information in Table 4.12 indicates the prediction equation in achievement of strategic objective = .435 + .529 (training) + .680 (financing) + .455 (advisory services). The standard error was (0.167), being an estimate of the standard deviation of the coefficient, is a random variable with a mean of zero and which captured the variables that could not be quantified. If a coefficient is large compared to its standard error, then it is probably different from 0.

The independent variable which was most important in the strategic objective was also determined. This was obtained by the beta value whereupon the results identified financing as the most important variable of the study followed by training and lastly advisory services in that order. Table 4.11 shows the beta value for these variables .505, .693, and 0.457 which indicate that dependent variables would change by a corresponding number of standard deviation when the respective independent variable changed by one standard deviation.

The VIF value for all the independent variables were lesser than 10, and the Tolerance was also less than 0.1, thus there were no concerns over multi-collinearity. This led to the conclusion that training, financing and advisory services were all important factors in the achievement of the strategic objectives'.

#### 4.5 Hypothesis Testing

Table 4.13:

*Results of Hypothesis Test*

Hypothesis	Hypothesis Statement	Remarks
H <sub>01</sub>	Training offered by MFI's has no significance role on the achievement of strategic	The null hypothesis is thus Rejected
H <sub>02</sub>	Financing offered by MFI's has no significant role on the achievement of strategic	The null hypothesis is thus Rejected
H <sub>03</sub>	Advisory services has no significance role on the achievement of strategic objectives by	The null hypothesis is thus Rejected

The multiple linear regression between training as an independent variable and the achievement of strategic objectives as a dependent variable showed a significant relationship exist ( $\beta = 0.529$ ,

p-value = 0.000) which clearly point to the existence of a significant influence thus leading to the rejection of the first null hypothesis  $H_{01}$ . The null hypothesis is therefore rejected and a conclusion that “Training offered by MFI’s has no significance role on the achievement of strategic objective is drawn.

When financing is regressed against achievement of strategic objectives it can be noticed that there is a significant relationship exist ( $\beta = 0.680$ , p-value = 0.000) which means that “Financing offered by MFI’s has no significant role on the achievement of strategic”. The null hypothesis  $H_{02}$  is rejected.

Linear regression between advisory service and achievement of strategic objectives gives a significant relationship exist ( $\beta = 0.455$ , p-value = 0.000) which means that there is strong positive correlation between advisory services and achievement of strategic objectives, the third null hypothesis  $H_{03}$  is therefore rejected.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the discussion, conclusions, and recommendations arising out of the research findings in chapter four and suggests areas for further study. The study has generated several findings of which are in line with existing literature and previous research findings. The conclusions and recommendations drawn were in quest of addressing research objectives of analyzing the roles of MFIs on the achievement of strategic objectives in SMEs in Nakuru town.

#### 5.2 Summary of Major Findings

The findings show that when the independent variables (training, financing and advisory services) were combined against the dependent variable they could explain approximately 57.7% of the variations in achievements of strategic objective. This is to mean 42.3% dependent variable may be attributed to other factors not explained by the variables as captured in the achievements of strategic objective aspects of the study.

The research shows that the roles of MFI's services to a larger extent impacts the achievements of strategic objective in SME's in Nakuru town. This could be explained that although there is a relationship between MFI's services and achievements of strategic objective, the relationship is somehow strong. This was well explained by the F critical at 5% level of significance which was 0.61 falling below the F critical (value = 2.371). In addition, the R squared value was medium at 57.7% showing that the effect of MFI's services on the achievements of strategic objectives in SME's in Nakuru town was large. However, the study concludes that MFI's services are being used to realize the achievements of strategic objectives in SME's in Nakuru town. This could be attributed to the advantages offered by MFI's which include training, financing and advisory services.

### **5.2.1 Training on Achievements of Strategic Objective**

Training was found to be playing a crucial role in growth of small and medium enterprises, especially in assisting the businesses to repay back their loans in order to get more credit in future. The research further found out that the sufficiency of the training assists the entrepreneurs in the SMEs in a positive way in their performance and the daily running of businesses. The study further revealed that 90% of the respondent agreed that the trainings offered by SMEs are flexible to their employees, while 90% of the respondents were of the opinion that training was the most important for the growth of their business in the long run and while 80% are of the opinion that MFIs training services help the entrepreneurs in the setting of realistic goals to the business.

As training is considered a strategic investment, therefore the line managers should adopt a focused approach and remain fully involved in making policy decisions for training, being in line with human resource (HR). They must accept their responsibility in this area as front liners when compared with HR managers because they are also accountable to their reports for the training and development, being immediate employee-contacts. It also illustrates that HR department cannot be devolved of the responsibility of training and development, rather it remains committed since deliberated and formal approach to training and development will contribute positively towards organizational performance. Training is necessitated due to rapid advances/changes in technology, developing core competencies, steering downsizing and re-engineering and covering gaps in formal education which all being issues of immediate nature, fall in Line manager's domain.

### **5.2.2 Financing on Achievements of Strategic Objective**

The study found that it was easier to access credit, the higher the financial performance of the Small and medium enterprises the high the chances of getting more finances. However, access to credit is not that easier from the financial institutions considering the many requirements one has to meet before the credit is approved to the entrepreneur for use in the business. The study also concludes that availability of credit positively affects financial performance of small and medium businesses. Most respondents said that once loans were applied for, it took the expected time for them to receive the money and this affected their business positively. This is an indication that as credit becomes more available, the financial performance of business becomes better and hence a

chance for achieving the business objectives. The study further concludes that the interest paid on micro credit facilities were affordable. The interest rates would however affect financial performance of the businesses negatively if the rates are high but if the rates are friendly the business will repay with ease without affecting its performance. As the interest rate increases, the credit facility becomes more expensive and eats into the business profits.

Garcial and Martinez (2007) point out that non-availability of working capital is a major constraint to the survival and growth of new SMEs. Pretorius and Shaw (2004) posit that financial capital can be internal or external.

### **5.2.3 Advisory Services on Achievements of Strategic Objective**

The study established that access to business challenges through advisory service affects achievements of strategic objective to a moderate extent and this information was not readily available without assistances of MFIs. Even the available information was not deemed to be relevant nor does it inform the respondents of the changes in the business environment on time. Overall, the business advisory services affect the achievements of strategic objective only to a large extent.

The evaluation results indicated that the project had some impact in terms of increased geographical coverage and an increased research-extension linkage but limited institutional development impact. Furthermore, the study indicated that the advisory services offered by MFIs were effective and efficient in delivering the desired services to SMEs, had impact on productivity, and more important, in achievement of strategic objectives.

The researchers found the MFIs advise the SMEs on the predicted business opportunities positively and leading to a significant increase in the achievement of strategic objectives since the entrepreneurs are informed about the future.

### **5.3 Conclusion**

On the strengths of the research results, it is thus concluded that the roles of MFIs services in SMEs in Nakuru town not only enhances profitability by increasing its performance but also influences the achievement of strategic objectives through training, financing and advisory services.

### **5.3.1 Training**

The current trends and new business challenges have necessitated the adoption of strategic approaches to training and development which enhance organizational performance. Therefore, HR must develop those areas which contribute positively to employee job satisfaction and give a clear competitive advantage. It is not only a social but a moral responsibility of the organization to groom their employees beyond their current roles and offer opportunities to learn and grow, for their career and social mobility. Therefore, HR Managers must align their human capital resources with the business strategies; they should improve workforce skills through strategic training and development process for the organization's successful performance, thereby fueling the need to make trainings more meaningful. The strategic learning imperatives must be developed as aligned with the business objectives which include learning-related important actions, necessary for such organizations which need to attain competitiveness.

Training and development and ultimately the gaps found in the required skills vis-a-vis attained skills have become so wide that inter-relationships of training and performance are badly disturbed. There is still a big gap between the knowledge and skills imparted and acquired in the institutions and its applications as seen in the industrial environments. Due to this gap, companies now feel that there should be a close liaison between such institutions and the industry so that employee development programs are made more purpose oriented. There are training institutions which offer customized as well as off-the-shelf programs based on their client's business operations but yet, there is much to be improved. Therefore, training and development cannot be disconnected from the business activities of the organizations; on the contrary, this is the area that clearly illustrates positive relationships between training activities and the organizational performance.

### **5.3.2 Financing**

Based on the findings of the study, the following conclusion is drawn from financing. The formal market of microfinance is influenced by the process in which informal MFIs convert into formalized or regulated financial institutions which was referred to as "up scaling" before. This usually requires fresh capital from outside investors, regulatory approval by local banking authorities and improved governance plus internal controls. The transformation process then typically allows MFIs to mobilize client deposits as an additional source of refinance and offer



additional non-credit products (Frank, 2008). Furthermore, with the transformation and growth of their assets, MFIs get improved access to new sources of funding in the international capital markets and also product diversification which allows them then to broaden their outreach and serve more clients. Overall, the microfinance market currently faces a trend towards “commercialization” which is a broad term used to refer to the application of market-based business principles to microfinance. This is usually associated with a MFI’s development away from donor or subsidized funding towards commercial borrowing of debt and equity (Frank, 2008).

It can be concluded that there are three ways a MFI can become part of the formal microfinance market: either by downscaling, where regulated banks adopt microfinance as a particular business segment on its own, or by transformation (up scaling), where NGOs transform into regulated financial institutions. A third way would be a new establishment or startup of a microfinance bank under regulations of the relevant local supervising authorities and laws.

### **5.3.3 Advisory services**

The study concludes that there should be Provision of advisory services such as how to deal with and control income and expenditure, financial management practices in the SMEs. The process of harnessing the organizations capabilities should be backed by the support of the organizations top management and the staff level of awareness of knowledge management is critical to the success of implementing the same core competencies in an organisation. Further, to improve on the core competencies emanating from the organizations human resources, the organization need to institute performance management system and train key staff on administration of the system, review the job descriptions, personnel policies and reward system. All such steps are aimed at motivating the staff to get the best out of them in order to achieve the organizations objectives.

### **5.4 Policy Implications**

Among others the major policy implications of this research are as follows: Owners, managers and executives of the SMEs are expected to get motivation for formulating and implementing strategic plan and objectives for their SMEs. The Government and different regulatory bodies would expect to prepare guidelines to inspire the MFIs so as they may continue with their role of provision of financial services and other programs towards helping the SMES in running

effectively their businesses. Finally the researchers may get ideas for more comprehensive studies relating strategic planning in SMEs.

### **5.5 Recommendations**

The scope of work of separate SMEs windows/dedicated desks for catering to SMEs loan could be broadened to provide comprehensive SME related one stop services including financial counseling and resource availability, business development strategy and availability of support services, and marketing strategy and export linkages. If necessary, a SME training and marketing fund may be created to support training facilities and export promotion activities.

The study recommends that the MFIs should make their services accessible and available to enhance achievement of strategic objectives and hence growth in Small and medium enterprises through training, financing and advisory services.

The study therefore recommends that the government should move in quickly to create policies that favour the growth and expansion of MFIs. This will help in development and performance of SMEs which will reduce poverty in the country and contribute overallly to industrial and economic growth.

### **5.6 Suggestions for Further Studies**

Arising from this study, the following directions for future research should be carried out. This research only covered small and medium enterprises in Nakuru Town. However, there are other enterprises that are large firms in the same town. Researchers are encouraged to research on them. In future, other SMEs in other towns should be involved to enable the researcher to make adequate conclusions.

This research didn't concern itself with the challenges and possible solutions hindering SMEs from accessing financing by credit giving institutions. In future, a research should be instituted to establish the challenges and the possible solutions.

In future, a comparison should be done between the financial performance of SMEs that have received microcredit and the ones that have not received the financing. This will help in shedding light on whether accessing microcredit helps the SMEs to perform better than other businesses.

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## APPENDIX I

### COVER LETTER

Nixon KimutaiKipkosgei  
P.O. Box 7167  
Nakuru, Kenya

Dear Sir/Madam,

I am post graduate student at Kabarak University conducting a study on the roles of MFIs on the achievement of strategic objectives in SMEs in Nakuru town

Your response will be kept strictly confidential and used solely for this research. You are not required to provide your personal information. A summary of the results will be available to you upon request after the data are analyzed.

Thank you very much for your time and cooperation.

I greatly appreciate your help in furthering this research endeavor.

Regards

Nixon KimutaiKipkosgei  
Researcher

**SECTION 1: DEMOGRAPHIC INFORMATION (Kindly tick/ circle appropriately):**

Please fill this questionnaire openly and honestly .confidentiality will be strictly adhered to, and there will be no mention of your personal name or any information that identifies you. Please provide the following information as required. The information provided here will be used solely for academic purposes and will be treated with maximum confidentiality.

**Part A: Entrepreneurs Information**

1. How long has your enterprise been in operation?.....

2. What is your sex?

Female [ ]      Male [ ]

3. What is the level of your formal education?

Primary level [ ] O level level [ ]Certificate level [ ]Diploma level [ ] University level [ ]

**Part B: Training services**

This section focuses on the role training offered by MFIs on the achievements of strategic objectives in SME's in Nakuru town. Indicate your level of Agreement by ticking appropriately using a scale of 1 to 4 where; 1 (Strongly Disagree), 2 (Disagree), 3 (Agree) and 4 (Strongly Agree). Tick/Circle N/A if the assessment area is Not Applicable to you.

	<b>Training services</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
1.	Training programs offered by MFIs is relevant to the business					
2.	The Training services conducted is of sufficient duration to meet our business needs					
3.	The Training programs are helpful in daily running of the business					
4.	My lender has a training programme that is flexible to all our employees					
5.	Training programs offered by MFIs are helpful to business performance in the long run					
6.	MFIs make a follow up on the trainings to ascertain implementation of what was taught					
7.	Micro finance institutions training services help me in setting of realistic goals for my business.					

**SECTION 2 (A): Financing services**

This section focuses on the role financing offered by MFIs on the achievements of strategic objectives in SME's in Nakuru town. Indicate your level of Agreement by circling appropriately using a scale of 1 to 4 where; 1 (Strongly Disagree), 2 (Disagree), 3 (Agree) and 4 (Strongly Agree). Tick/Circle N/A if the assessment area is Not Applicable to you.

	<b>Financing services</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
1.	The financing offered by MFIs is disbursed in good time which enables us to meet our business goals.					
2.	We are financed by MFIs at a friendly interest rates in comparison to other lending institutions					
3.	The MFIs lend us sufficient loans as per our business demand					
4.	The period of the finance repayment is calculated as per the strength of the business					
5.	MFIs always make follow ups in case of delayed finance repayment in order to correct the default in time.					
6.	Financing services offered by MFIs is achieved with minimal collateral requirements.					
7.	MFIs offer finances with flexible repayment mode					

**SECTION 3 (A): Advisory services**

This section is focusing on the role advisory services offered by MFIs influence on the achievement of strategic objectives of SME's in Nakuru Town. Indicate your level of Agreement by circling appropriately using a scale of 1 to 4 where; 1 (Strongly Disagree), 2 (Disagree), 3 (Agree) and 4 (Strongly Agree). Tick/Circle N/A if the assessment area is Not Applicable to you.

	<b>Advisory services</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
1.	MFIs advise us on investment challenges in our business					
2.	MFI advise us on employee recruitment qualities for the business					
3.	MFIs guide us in developing business goals within a specific period of time					
4.	MFIs advises us on target formulation of the business					
5.	We are advised by MFIs on the financial matters within the business unit.					
6.	We are advised by MFIs on the predicted business opportunities in the business environment.					
7.	MFIs offer advisory services on matters related to business management.					



**SECTION 4: Achievement of Strategic objectives**

This section focuses on the role of MFIs services activities on the achievements of strategic objectives in SME's in Nakuru Town. Indicate your level of Agreement by circling appropriately using a scale of 1 to 4 where; 1 (Strongly Disagree), 2 (Disagree), 3 (Agree) and 4 (Strongly Agree). Tick/Circle N/A if the assessment area is Not Applicable to you

	<b>Statement</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
1.	Customers are being handled effectively and professionally in our organization					
2.	The organization continues to grow and expand in terms of market dominance.					
3.	We are able to improve on employee performance with minimal constraints.					
4.	We are able to utilize on our financial resources well due to proper identification of financial uses.					
5.	Our productivity has improved due to efficient use of resources in the business.					
6.	Adoption of new technologies has greatly improved development of new goods and services in the firm.					
7.	Our profit has gone up translating to business improvement.					
8.	The physical resources (equipment and facilities) are well utilized.					

*Thank you for your time and cooperation*

## APPENDIX II

### LIST OF MFIs IN NAKURU TOWN

	NAME OF MFI IN NAKURU	SMEs WITH STRATEGIC PLANS
1	Kenya Women Finance Trust (KWFT)	415
2	Faulu Kenya	370
3	Small and Micro Enterprises Programmes	133
4	UmojaEntrepreneurCredit(K) Ltd	112
5	Micro Kenya	103
6	Ebony Capital	94
	<b>TOTAL</b>	<b>1,227</b>

Source: *MFIs records in Nakuru Offices.*

**APPENDIX III**  
**STRATIFIED LIST OF SMEs WITH STRATEGIC PLANS**

**List of SMEs as per KWFT**

- 1 Giakanja Properties
- 2 Exodus Fashions
- 3 Enjoy Driving School Ltd
- 4 Bestly Cosmetics Limited
- 5 Office Desires (K) Limited
- 6 Nilkanth Commodities Ltd
- 7 Bora Dry Cleaners
- 8 Bono Dry Cleaners
- 9 Ken-Tex Enterprises
- 10 Simbatrans Logistics Limited
- 11 Genesis Solutions Limited
- 12 M F I Document Solutions Limited
- 13 Nakuru Press Shop Limited
- 14 Sagiwa Enterprise
- 15 Farmers Wells Limited
- 16 Digital City Limited
- 17 Devi Stationeries & Computers Limited
- 18 Prit Wholesalers Limited
- 19 Five Star Agency Limited
- 20 Alike Cleaning Services
- 21 Kawanjo Investments Company Ltd
- 22 Azali Enterprises Limited
- 23 South Lemon Limited
- 24 Nakuru Stage Enterprises Limited
- 25 Kanjoreri Services Limited
- 26 Haidara Enterprises
- 27 Bata Shoe Company (K) Limited
- 28 Haltons Limited
- 29 Lufrank Enterprises
- 30 Joypat Driving School
- 31 Switzer Pharmacy Limited
- 32 Hand In Hand Eastern Africa
- 33 Smile Baby
- 34 Nucleur Investment Co.Ltd-
- 35 Ashleys Kenya Limited
- 36 Plainview Farmers Limited

- 37 Menengai Agro-Vet Enterprises Limited
- 38 Farmaga Enterprises
- 39 Nakuru Afya Chemist Limited
- 40 Book Point Nakuru Centre
- 41 Kirwan Limited
- 42 Elegant Cosmetic
- 43 Bina Wholesales Ltd
- 44 Soko Supper Market Limited
- 45 Neat Hygiene Services
- 46 Masaba Chemist Limited
- 47 Kims Collections

**List of SMEs As Per Faulu Kenya**

- 1 Speedmark Print Services
- 2 Majesty Technology Limited
- 3 Sirita Inter Africa Limited
- 4 Big Man Enterprises
- 5 Farmers World
- 6 Royal Feeds
- 7 Naku Modern
- 8 Shade Villa
- 9 Safari Club
- 10 Harmony Africa Investment Limited
- 11 West Commercial Stores
- 12 D B. Electrical & Hardware
- 13 Nakuru Computer Accessories
- 14 Valley Field Properties Limited
- 15 Computer For You Limited
- 16 S. G Hard Ware
- 17 Pishon Pharmacy
- 18 Shardi Express
- 19 New Horizon Saloon Ltd
- 20 Brighter Brand Promoters Limited
- 21 Agrisoko Enterprises Limited
- 22 Theruji Dry Cleaners
- 23 Giwa Solutions Limited
- 24 Naivasha Line Stores Limited
- 25 Africare Distributors Limited
- 26 Heiz Electronics
- 27 Kemps Hardware Limited
- 28 Fanzito Company Limited
- 29 Nakuru Super Hardware

- 30 Nambis Pharmaceuticals Ltd
- 31 Lessos Veterinary Supplies Ltd.
- 32 Kaki Family Wear Limited
- 33 Crossland Insurance And Commercial Agency
- 34 Seguton Central Pharmacy
- 35 Creation Aluminium Industries Limited
- 36 Vision Paper Works And Printers
- 37 Elite Services And Automobiles
- 38 The Serenity Place
- 39 Menengai Spices Limited
- 40 Koyumkei Housing Co-Operative Society
- 41 By Faith Auto Spares
- 42 Salama Tyres Dealers

**List of SMEs as per SMEP**

- 1 Seas Motors & Spares
- 2 Health Quest Chemist
- 3 Hebron Junior Enterprises
- 4 Mash East Africa Limited
- 5 Eldama Eng. Suppliers Company Ltd
- 6 Queens Beauty Stores
- 7 Frekas Agencies
- 8 Bedan Jn Enterprises
- 9 Rift Valley Collector Den
- 10 Comlink Investment Ltd
- 11 Nakuru Friends Pharmacy
- 12 Raykay Constructor Company
- 13 Mm Hardware Stores
- 14 Hekima Traders Limited
- 15 Eplem Store

**List of SMEs as per Umoja Ent. Credit Kenya Ltd**

- 1 Soft Ventures East African Ltd
- 2 Millbridge Enterprises Limited
- 3 Ndiki Autocare Enterprises
- 4 Nafuu Stationers Limited
- 5 Swap Kenya Ltd
- 6 Savvoy Electricals
- 7 Midrift Merchants Ltd
- 8 Stan Book Shop Limited
- 9 Jiinue Holdings Limited
- 10 Soft Trace Limited
- 11 Nakuru Village Resort

- 12 Pamiju Co. Ltd
- 13 Hunters Guard Security Limited
- List of SMEs as per Micro Kenya**
- 1 Modern Hardware Gallery
- 2 Flex Communication Limited
- 3 Tiger Stores
- 4 Paradise Hair & Beauty
- 5 Swabirin Enterprises
- 6 Unike Investments Limited
- 7 Ushindi Communication Limited
- 8 Jowaga Investment Agency
- 9 Ascom Ventures
- 10 Getrich Investments Limited.
- 11 Sidico Limited
- 12 Speg Ventures Commercial Agencies
- List of SMEs as per Ebony**
- 1 Utugi Enterprises.
- 2 Five Stars Home Fashion
- 3 Midrift General Merchants Limited
- 4 Zenko Kenya Limited
- 5 Malkia Feeds
- 6 Nairobi Veterinary Cente
- 7 Amsa Communication Limited
- 8 M.D. Vaid Limited
- 9 Hyrax General Supplies
- 10 New Age Contracting Engineers Work
- 11 Teal Land Construction Co.Ltd

**Sample Size =140**

Source: *Respective MFIs records in Nakuru Offices*