

EFFECT OF MICRO CREDIT SERVICES ON THE FINANCIAL PERFORMANCE OF SMEs IN MIGORI COUNTY, KENYA

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Abstract: *Access to financial resources is a major contributor to enhanced business performance. The growth in number of Microfinance Institutions (MFIs) has affected the performance of Small and Medium Enterprises (SMEs) operating in Migori County. Starting with the observation that most businesses initially do well with little funding but after accessing MFI services, the decline starts, the study sought to determine the effect of MFI services on the financial performance of SMEs in Migori County, Kenya. Specifically, the study sought to determine the effect of micro credit services on the financial performance of SMEs. Using a descriptive research approach the 3,310 SMEs in Migori county were studied and cluster random sampling technique was applied to arrive at the final sample size of 331 SMEs that were included in the final survey. Using a structured questionnaire, data was collected from the randomly sampled respondents from the eight sub-counties in Migori county. The data collected was subjected to descriptive and inferential statistical analysis. The study findings indicate that accessibility to MFI micro credit services is heavily dependent on the ability of the SMEs to save. More savings with an MFI translates to increased borrowing ability of the SMEs and hence contributes to the financial performance of SMEs.*

Keywords: *Financial Performance, Microfinance Services, Micro Credit Services, SMEs*

Micro Credit Services and Financial Performance of Enterprises

A study by Kersten et al., (2017) established that inadequate access to credit was a major hindrance to the growth and expansion of business enterprises. Ouma and Ogago (2015) concluded that microcredit facilities through loan services had a positive and significant effect on household welfare of residents of Migori. Access to finance is presented by Rotich et al., (2015) as a key determinant of SMEs access to markets, ability to recruit skilled employees, and type of technology to employ. Rotich et al., adds that most SMEs face the obstacle of not being able to access credit and this hinders their performance and growth. Kibet (2015) studied the relationship between microfinance credit and the performance of SMEs in Uasin Gishu County, Kenya and concluded that MFIs were the main source of startup capital for SMEs. Most of the SMEs attributed their success to the ability to access micro credit service from MFIs.

In examining the frequency of borrowing loans by SMEs, Chole (2015) established that most SMEs borrowed once a year from the MFIs and that most of the SMEs perceived the MFIs as a source of cheaper loan compared commercial banks. Consistent to this was a study by Anan et al (2013) who reported that SMEs in Ghana preferred MFIs as a source of cheaper credit and as perceived MFI credit facilities as having less strict regulations. In a study of the impact of MFI loans on productivity and growth of SMEs in Ghana, Ofori et al., (2014) found out that SMEs that utilized the loans as planned registered growth in clientele base and recorded high growth rate. It was also noted that MSEs that had credit facilities from MFIs generated greater sales

revenues. In concurrence, Kisaka and Mwewa (2014) observed that SMEs that received credit facilities from MFIs tend to register significant growth within a relatively short period of time.

The objective of every SME is to grow and become a large business, points out Sifunjo et al., (2014). Most SMEs achieve this, this objective by borrowing and being trained from MFIs leading to improvement in their productivity and profitability. Sifunjo et al., (2014) therefore concluded that micro-credit, micro-savings and training, jointly contribute significant positive growth of SMEs and to the contrary, lack of access to MFI services is a major contributor to limited growth in the SMEs sector. Most SMEs borrow investment capital from MFIs and they then relay on the MFIs to finance their day to day operations (Waithanji, 2014). Madole (2013) in concurrence adds that SMEs have adopted the culture of sourcing for capital from MFIs, because it is easy to access MFI credit.

Lack of access to capital was identified by Wanambisi and Bwisa (2013) as a major hindrance to the expansion of MSEs and that those MSEs that had access to larger loans were able to graduate to from MSEs to medium enterprises. In supporting this position, Osoro and Muturi (2013) argued that those MSEs privileged to access large loans, ended up employing a larger labour resulting in their rapid growth as compared to MSEs that received lower capital. Madole (2013) in a bid to determine the effect of microcredit on the performance of SMEs in Morogoro, Tanzania established that micro credit significantly affected the performance of SMEs. They report that the greatest effect was manifested by profit growth and an increase in income, number of employees and equity. The study deduced that most of SMEs in Morogoro depended micro credit from MFIs to finance their operations and survival.

Wakaba (2014) studied the effect of MFI credit on the financial performance of SMEs in Kiambu county, Kenya. The study determined the existence of a direct significant relationship between access to credit and financial performance of the SMEs. It was concluded that the SMEs benefit from loans given by MFIs owing to their low interest rate, easy loan repayment and amount offered. Bowen et al (2009) noted that micro credit is a key to the success and survival of SME. Rotich et al., (2015) add the entrepreneurial orientation complements that relationship between access to credit and financial performance of SMEs because it factors in the entrepreneurs' key attributes such as innovativeness, risk taking and proactivity that determines the decisions of the entrepreneur. In a study by Mugori, (2011) evaluating the effect of access to microfinance on the financial performance of youths owned SMEs in Nairobi County Kenya, it was established that the micro credit loans had the greatest significant effect on the financial performance of SMEs. Wanambisi (2010) undertook a study on the effect of MFI financing on the financial performance of SMEs in Kakamega County, Kenya and concluded that microfinance financing has improved the financial performance of the SMEs.

Overview of Microfinance in Kenya

As of December 2017, Oyugi and Jagongo (2020) reported the existence of 13 licensed MFIs in KENYA according to the CBK (2017). From the year 2016 to 2017, customer deposits in MFIs rose from Kshs. 2,682,308 million to Kshs. 2,937,971 indicating a growth of 9.53%. The study further notes that by the end of the year 2017, the total credit advances to customers MFI in Kenya stood at Kshs. 42,849 million (CBK, 2017). This means that MFI services are gaining popularity amongst Kenyans. The Microfinance sector in Kenya is regulated by the Central Bank of Kenya, through the Microfinance Act which was enacted by the Parliament of Kenya on December 30, 2006. The Act applies mainly to deposit-taking institutions, although some parts of the Act may be declared applicable to non-deposit-taking institutions.

The movement toward adoption of MFIs in Kenya gained momentum in the late 1980s when many SMEs were barred from accessing formal financial services from banks. Microfinance institutions arose to fill the gap that

was left by banks in offering credit to persons, micro, small and medium enterprises that were on the increase during the period (Bassem, 2014). In the early 1990s, during the opening of the space in political and succeeding economic conflicts, there was an increased need for credit by the individual, micro, small and medium enterprises, and this led to the growth of MFIs in Kenya.

Among the pioneer MFIs in Kenya are Equity Building Society (currently Equity Bank), Family Building Society (currently Family Bank), Faulu Kenya, and K-Rep. In Kenya, MFIs have been built by the use of either NGO or SACCOs frameworks (Adhikary & Papachristou, 2014). Today, the major players as MFIs in Kenya include; Kenya Women Finance Trust (KWFT), Faulu Kenya, Wedco Ltd, Pride Ltd, Small and Medium Enterprises Program (SMEP), Kenya Small Traders and Entrepreneurs Society (KSTES), Ecumenical Loans Fund (ECLOF), Vintage Management (Jitegemee), Century Micro Finance Bank, Uwezo Micro Finance Bank, U&I Micro Finance Bank, Daraja Micro Finance Bank, Adok Timo, Jamii Bora, Ufanisi among others. These Organizations channel funds to businesses at lower interest rates and without much Collateral. Most Organizations target women who form the larger portion of small businesses and are more honest in loan repayments. Women empowerment increases savings and investments, thus improving living standards and reducing child mortality rates.

Microfinance services have gained widespread popularity amongst businesses within a very short period in Kenya. Ondoro and Omena (2012) observe that they have become the preferred lender to the poor and they are perceived as a vehicle of eradicating poverty for allowing those who are economically weaker to access funding and turn around their financial fortunes. Businesses in Kenya, have limited access to financial services mostly because of a lack of collateral and this leaves them with no option but to seek search services from MFIs. But as literature from Matiang'i (2016) and Kadenge (2019) points out, most of the businesses who borrow loans from MFIs spend most of their earnings servicing the loans and up with very little savings if any, to plough to their businesses. Indeed, most business units have had financial difficulties immediately after securing microfinance services. With Kadenge (2019) and Matiang'i (2016) making a contrary observation, the effect of services rendered by MFI on business performance in Migori County is worth establishing.

The Poverty Reduction Strategy Paper (PRSP) of 1997 states that many Kenyans derive their livelihood from small businesses. Simeyo (2011) observes that in Kenya, of the 13 million youth who had attained the employment age of `8 years, less than 50% are in gainful economic activities amongst the informal sectors of the economy, while the majority are unemployed. Waiganjo (2010) adds that the Government of Kenya has employed several measures aimed at encouraging the growth of SMEs and poverty alleviation. One key initiative was the enactment of the Micro Finance Act of 2006 and the Microfinance (Depository Taking Institutions Regulations) Act of 2008. Both Acts have enabled over 100 Organizations and 50 Non-Governmental Organizations to get licensed as Microfinance providers.

In a study by Farooq and Khan (2014), the main service offering of MFI was credit facility to households with a low income and MSEs in both rural and urban areas of Kenya. While, Amelec and Carmen (2015) posit that the service offered by MFI encompasses, savings, micro leasing, and micro-insurance. Ouma and Ogaga (2015) identified MFI facilities that positively influenced household welfare as including; savings, loans, non-financials and capacity building packages. Matiang'i (2015) identified four MFI services that he demonstrated had a significant influence on SME performance to encompass; savings, micro credit loans, training and insurance services. Rotich et al., (2015) established three MFI services in terms of access to credit, savings mobilization and training which they presented as having a positive and significant effect on SME performance.

Small and Medium Enterprises in Migori County

The concept of small and medium enterprises has attracted numerous definitions with no consensus other than many authors preferring country-specific definitions. In the search for a definition of SME, most definitions are based on; the number of employees, the turnover per annum, and or asset base. Natarajan and Wyrick (2011) reported that in Europe, SMEs are considered to be businesses with less than 250 employees, and in the United States of America (USA) to be businesses with not more than 500 employees. According to the Kenya Micro and Small enterprises bill 2006, SMEs are defined as business ventures in both formal and informal sectors, having a sales volume of fewer than four million shillings and employing not more than 50 (Wanambisi & Bwisa, 2013).

Migori County is located in the former Nyanza Province of South Western Kenya (Aloo, 2016). Migori town is the County's capital with demographic area of 2,596.5 square kilometers, and a population of 917,170 (2009 population census). Migori County borders Homa Bay to the North, Kisii to the Northeast, Narok to the East, and Tanzania to the South. Its headquarters is Migori Town. Balaton (2021) identifies eight sub-counties in Migori, comprising of; Nyatike, Rongo, Suna-East, Suna-West, Awendo, Uriri, Kuria-West and Kuria-East. These sub-counties have a total of forty (40) wards distributed as follows; Suna-West (4), Suna-West (4), Nyatike (7), Uriri (5), Rongo (4), Kuria-East (5), Kuria-West (7) and Awendo (4).

A report by Ouma and Ogaga (2015) identifies the major financial institutions in Migori county as; KCB based in Migori, Kehancha, and Rongo, Barclays Bank of Kenya based in Migori town, Equity Bank based in Migori Awendo, Diamond Trust Bank based in Migori, Cooperative Bank based in Migori and Rongo. Micro Finance Banks and Organizations are Kenya Women Finance Trust (KWFT) based in all the major towns, Faulu Kenya based in Migori, Adok Timo based in all major towns, Jamii Borain Awendo Migori. Migori County, like other parts of the country, has witnessed an influx of MFIs over the past ten years, a development Ouma and Ogaga (2015) attributes to the kind of occupation dominating the area, especially farming and SMEs. And the fact that the residents are low-income earners who do not qualify for credit facilities from the commercial banking institutions.

Micro Financial services are the backbone of economic activities in Migori County (Ondoro & Omena, 2012). The Commercial Banks in Migori County have done little in poverty alleviation as they lend based on the availability of collateral and often target established businesses. Lack of collateral burrs many startups from accessing the financial facilities of mainstream banks. The arrival of MFIs in Migori in the form of Jamii Bora in the year 2003 gave a reprieve to the SMEs in the region. Jamii Bora opened its first office in three towns, namely, Migori, Awendo, and Rongo between 2006 and 2009. Their major clients were women with business in those towns expected to save for six months before the credit was given to them.

Statement of the Problem

The financial performance of SMEs in Migori county has remained relatively low compared to the anticipated high performance associated with presence of MFIs in the county (Ouma & Ogago, 2015). Mumbua (2020) reported that MFI services significantly improved the financial performance of SMEs in Kitui County, but Kamau and Kalio (2014) established that the interest charged by MFIs negatively affect financial performance of SMEs in Nakuru County. Microcredit services have existed in Migori for a period of time and more recently the county has witnessed an influx of MFIs with a variety of services, but the performance of SMEs in the county remains dismal (Ouma and Ogago, 2015). It is increasingly becoming alarming that so many of the MFI loans beneficiaries are getting their properties auctioned by the lenders (MFIs). Equally alarming the rate of suicides witnessed in Migori County among MFI loan defaulters, whose assets have been sold, and the MFIs

are still coming for more assets to clear balances. What could be the main reason behind this kind of negative impact? Why are borrowers defaulting on loans, is there a correlation between the MFI services like the rate of interest, repayment period and loan repayment?

In Kenya, Oyugi and Jagongo (2020) found that MFI services had a positive effect on the performance of women-owned enterprises in Kenya. A study by Lock and Smith (2016), reported that MFIs were the best avenue by which a government could assist women owned SMEs to access financial services. Matiang'i (2016) in a study of microfinance services on financial performance of SMEs in Kawangware, deduced that MFI services significantly affected the performance of SMEs. Ouma and Ogago (2015) observed that microcredit played a positive role in changing and improving the living standards, income, diet patterns, health status and children's education of the respondents. Scanty literature exists on the effect of MFI services on the financial performance of SMEs in Migori County, hence the knowledge gap in the current study. Most businesses initially do well with little funding; but after accessing MFI services, the decline starts; what is the cause? These and more questions led this study to seek a determination of the effect of MFI services on the financial performance of SMEs in Migori County, Kenya.

Objective of the Study

This general objective of the study was to determine the effect of MFI services on the financial performance with a specific objective to determine the effect of Micro Credit Services on the financial performance of SMEs in Migori County, Kenya.

The study therefore tested the following research hypothesis;

H₀₁: Micro credit services has no significant effect on the financial performance of SMEs in Migori County, Kenya

Research Methodology

The study employed a descriptive research design. Descriptive research is one that describes the characteristics of the population or phenomenon that is being studied. This design was vital in the determination, evaluation and selection of the best course of action to be taken to ensure that MFI experience enhanced performance through utilization of credit, savings, loan and training services offered by MFIs. The design helped in determining the degree to which the research variables were related. In this study the population of interest comprised the 3,310 licensed SMEs in Migori County from various sectors including: agribusiness, mining, transport, wholesale, retailing and hotel (Aloo, 2016). The unit of analysis was the SME owner or the enterprises manager. Where an SME has several managers, the most senior manager was considered the respondent. According to Kothari (2017), a representative sample is one which is at least 10% of the population. Applying this guideline on the population size, thus the choice 10% translates to 331 respondents which was considered representative of the population. The study employed the use of a structured questionnaires to collect primary data for the purpose of analyzing the effect of MFI services on the financial performance of SMEs. The questionnaire was made up of closed-ended and open ended questions. The closed-ended questions provided control over the response and helped minimize variations in answers provided. The open ended questions were useful in probing the response provided by the subjects.

Research Findings and Discussion

An analysis of the micro credit services available to SMEs, revealed six services as summarized in *Table 1* below. Most of the SMEs agreed to a very great extent (59.3%) and 24.3% agreed to a great extent that they

had benefitted from short-term loan products from MFIs. Figure 1 shows that 33.1% of the SMEs agreed to a great extent and 29.2% to a very great extent that they had taken emergency loan products from MFIs.

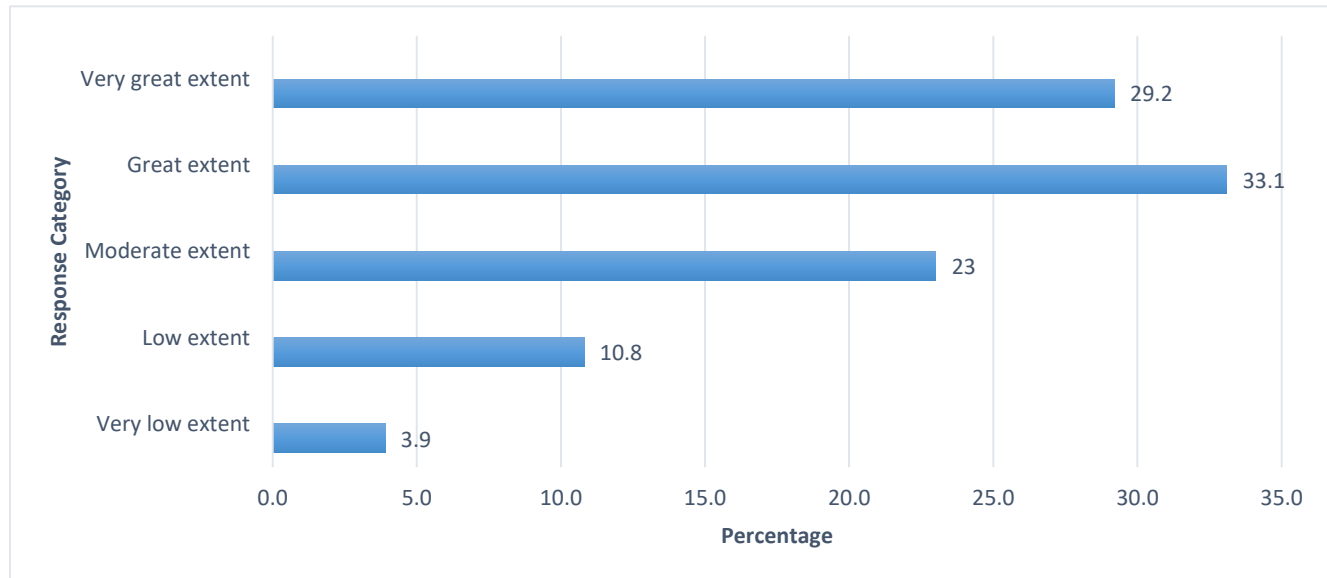


Figure 1: Use of Emergency Loan Products

Loans products guaranteed by savings was popular with 54.4% of the respondents and group loan products had been employed by 34.4% of the SMEs to a great extent and 32.5% to a very great extent. From Table 1 it was also observed that 33.1% of the SMEs agreed to a great extent and 27.9% agreed to a great extent that they had used micro leasing loan products offered by MFIs.

Table 1: Micro Credit Services

Micro Credit Services	Response Category	Frequency	Percent	Cumulative Percent
Short-term loan products	Very low extent	2	0.7	0.7
	Low extent	12	3.9	4.6
	Moderate extent	34	11.1	15.7
	Great extent	76	24.9	40.7
	Very great extent	181	59.3	100.0
Emergency loan products	Very low extent	12	3.9	3.9
	Low extent	33	10.8	14.8
	Moderate extent	70	23.0	37.7
	Great extent	101	33.1	70.8
	Very great extent	89	29.2	100.0
Loans products guaranteed by savings	Very low extent	2	0.7	0.7
	Low extent	10	3.3	3.9

	Moderate extent	41	13.4	17.4
	Great extent	86	28.2	45.6
	Very great extent	166	54.4	100.0
	Very low extent	10	3.3	3.3
	Low extent	24	7.9	11.1
Group loan products	Moderate extent	67	22.0	33.1
	Great extent	105	34.4	67.5
	Very great extent	99	32.5	100.0
	Very low extent	10	3.3	3.3
	Low extent	45	14.8	18.0
Micro leasing loan products	Moderate extent	64	21.0	39.0
	Great extent	101	33.1	72.1
	Very great extent	85	27.9	100.0
	Total	305	100.0	

Mean Analysis of Micro Credit Services

Using mean score analysis from *Table 2*, the key micro credit services were identified to include; short-term loan products (mean score=4.38), loan products guaranteed by savings (means score =4.32), group loan products (mean score=3.84), emergency loan products (mean score=3.72) and micro leasing loan products (mean score=3.67). The weighted mean score of micro credit services was equal to 3.992, which meant the respondents agreed to a great extent that SMEs depended on micro credit services.

Table 2: Mean Analysis of Micro Credit Services

Micro Credit Services	N	Minimum	Maximum	Mean	Std. Deviation
Short-term loan products	305	1.00	5.00	4.3836	0.88131
Loans products guaranteed by savings	305	1.00	5.00	4.3246	0.87522
Group loan products	305	1.00	5.00	3.8492	1.06540
Emergency loan products	305	1.00	5.00	3.7279	1.11274
Micro leasing loan products	305	1.00	5.00	3.6754	1.12809
Weighted mean score				3.9921	

Correlation of Micro Credit Services and Performance

A correlation analysis of micro credit services and financial performance of SMEs in Migori county was performed and results presented in *Table 3*. Using Karl Pearson’s coefficient of correlation (r) and probability value (p-value) analysis, it was noted that short-term loan products had a significant but weak correlation (r=0.000, p=0.0359) with performance. The correlation between emergency loan products and performance was significant and positive (r=0.000, p=0.0315), loans products guaranteed by savings had a significant positive (r=0.000, p=0.293) correlation with performance and group loan products had a significant positive (r=0.000, p=0.293) correlation with performance. The correlation between micro leasing loan products was significant and positive (r=0.000, p=0.0270). This outcome meant that of micro credit services had a significant correlation with the financial performance of SMEs in Migori county.

Table 3: Correlation of Micro Credit Services and Performance

Service	Correlation	Short-term loan products	Emergency loan products	Loans products guaranteed by savings	Group loan products	Micro leasing loan products	Financial Performance of SMEs
Short-term loan products	Pearson Corr. Sig. (2-tailed)	1					
Emergency loan products	Pearson Corr. Sig. (2-tailed)	.268** 0.000	1				
Loans products guaranteed by savings	Pearson Corr. Sig. (2-tailed)	.252** 0.000	.334** 0.000	1			
Group loan products	Pearson Corr. Sig. (2-tailed)	.219** 0.000	.273** 0.000	.402** 0.000	1		
Micro leasing loan products	Pearson Corr. Sig. (2-tailed)	.136* 0.018	.375** 0.000	.247** 0.000	.455** 0.000	1	
Financial Performance of SMEs	Pearson Corr. Sig. (2-tailed)	.359** 0.000	.315** 0.000	.293** 0.000	.293** 0.000	.270** 0.000	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Effect of Micro Finance Services on the Financial Performance of Enterprises

The study sought to determine the effect of MFI services on the financial performance of SMEs in Migori County, Kenya. To realize this objective, it was assumed that there exist a linear relationship between the independent variable (MFI services) and the dependent variable (financial performance). The Ordinary Least Square (OLS) method of estimation was therefore employed to extract a regression line of best fit that would depict the linear relationship. The study used an estimated model that took the form of equation (1) below.

$$Y = \beta_0 + \beta_1 X_1 + \epsilon \dots\dots\dots \text{(equation 1)}$$

From equation (1), Y = financial performance of SMEs, β_0 = constant, β_1 = coefficient of the independent variables, X_1 = micro credit services and ϵ = error term.

Diagnostic Tests

Preceding the regression analysis, the data was subjected to the classical assumptions of regression analysis to ascertain the suitability of the data for regression analysis technique. The pre-analysis tests included: normality test, linearity test, multicollinearity test and homoscedasticity. Violation of any of these assumptions would have meant the results gave biased estimates of the population parameters (Saunders, Lewis & Thornhill, 2016).

Two approaches were employed in testing for normality; normality test plots and the Shapiro-Wilk test. The normality test plots for the four predictor variables presented in Appendix IV, shows the four were normally distributed. Using the Shapiro-Wilk test, the study tested the null hypothesis that the data set was not normally distributed. The results in *Table 4* shows that micro credit services had a sig. value = 0.827. The Shapiro-Wilk test results of the independent variables had a p-value >0.05, and the study therefore rejected the null hypothesis that the data set was not normally distributed and deduced the data set was normally distributed and hence good for regression analysis (Razali & Wah, 2011).

Table 4: Shapiro-Wilk Test of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Micro credit services	.177	305	.201	.964	305	.827

a. Lilliefors Significance Correction

Second, the data was tested for linearity. Linearity is a test that the independent variables have a straight line relationship with the dependent variable. Third, the data was tested for multicollinearity. Multicollinearity is said to exist if the independent variables are highly correlated with each other. Collinearity test was performed and the resulting Tolerance and Variance Inflation Factor (VIF) interpreted. Using micro credit services as the dependent variable and savings, training and micro insurance services as the predictor variables, the study tested for multicollinearity. Senthilnathan (2019) posits that VIF values ≥10 and tolerance values ≤ 0.25 shows multicollinearity exist. The collinearity statistics in *Table 5* shows the savings services had a VIF= 2.024 and Tolerance=0.494. It was therefore deduced that the data did not suffer from multicollinearity.

Table 5: Collinearity Diagnosis

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta				Tolerance	VIF
1	(Constant)	1.284	0.239			5.374	0.000		
	Savings Services	0.366	0.056	0.399		6.548	0.000	0.494	2.024

a. Dependent Variable: Micro Credit Services

A further examination of the coefficients output in *Table 6* shows the micro credit services Sig. value = 0.525. In reference to Halunga and Yamagata (2017) an output showing all the predictors had sig. values > 0.05, confirms that the data did not suffer from heteroscedasticity and was instead homoscedastic and was considered adequate for regression analysis.

Table 6: Coefficients of Homoscedasticity Test

Model		Unstandardized		Standardized	T	Sig.
		Coefficients	Std. Error	Coefficients		
1	(Constant)	0.617	0.551	Beta	1.120	0.264
	Micro Credit Services	-0.081	0.127	-0.049	-0.636	0.525

a. Dependent Variable: Squared Unstandardized Residual

Regression Analysis of MFI Services and Performance

The effect of MFI services on the financial performance of SMEs in Migori County, Kenya was examined by testing the following four research hypothesis using multiple regression analysis (MRA);

H₀₁: Micro credit services has no significant effect on the financial performance of SMEs in Migori County, Kenya

Summary

The study sought to determine the effect of micro credit services on the financial performance of SMEs in Migori County, Kenya. It was established that micro credit services being money lent with an obligation to pay back with or without an interest rate (Mushi,2020), significantly influenced the performance of SMEs and that the influence was positive. This meant that a unit increase in the micro credit services would lead to an increase in the performance of SMEs by not less than 25%. In a related study, Kihara (2017) concluded that micro credit and training were major drivers of growth of SMEs. This outcome was consistent with the works of Rotich et al. (2015) who emphasized that access to finances by SMEs greatly influence their ability to access to markets, ability to recruit skilled employees, and ability to employ the latest state of the art technology. These findings further corroborate the position taken by Sifunjo et al., (2014) that for SMEs to experience growth, they must be able to access credit and that lack of access to MFI services is a major contributor to limited growth in the SMEs sector.

The accessibility to MFI micro credit services is heavily dependent on the ability of the SMEs to save. More savings with an MFI translates to increased borrowing ability of the SMEs and hence contributes to the financial performance of SMEs. However, the current study established that savings services had a non-significant effect on financial performance of SMEs in Migori county. This was partly attributed to the unwillingness of the SMEs to initially save amounts that could allow them to access higher levels of micro credit from MFIs. Inability to save therefore translates to inability to perform well financially and hence the non-significant contribution of savings to SME financial performance.

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