

**ANALYSIS OF UWEZO FUND INITIATIVE ON FINANCIAL PERFORMANCE
OF SMALL AND MEDIUM SIZE ENTERPRISES IN MOLO SUB-COUNTY,
KENYA**

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DECLARATION AND APPROVAL

I hereby declare that this project is my original work and has not been presented to any other institution of learning for a degree of any other university or for any other award.

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Supervisor Approval

I hereby certify that this project has been submitted for examination with my approval as the candidate's university supervisor



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DEDICATION

I dedicate this effort to my wonderful wife Lydia and my darling child Jayson for their understanding, encouragement, and support during the research.

ACKNOWLEDGEMENT

My first acknowledgement is to the Almighty God for having sustained my life and studies at the Mount Kenya University.

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Further, my pleasure is to offer great thanks to my supervisor, Dr. Ruthwinnie Munene for her continuous and timely support and excellent guidance through the research proposal writing process without which, I could not have managed to do it on time.





ABSTRACT

This study sought to determine whether Uwezo Fund and the financial performance of Micro, Small, and Medium-Sized Businesses in Molo Sub-County were related. A concentrated effort has been made to reduce widespread unemployment, which was made worse by the 2008–2009 global financial crisis. One such initiative by the government was the creation of the Uwezo fund, which sought to support young people, women, and people with disabilities in beginning self-sustaining businesses by providing loans with the least amount of collateral needed. Analyzing the impact of the Uwezo fund on the financial performance of micro, small, and medium-sized enterprises was the aim of this study. The study aimed to investigate the following specific topics: the impact of loan repayments on the financial performance of micro, small, and medium-sized enterprises; the relationship between financial planning and financial performance of these enterprises; the impact of entrepreneurship training on the financial performance of micro, small, and medium-sized enterprises; and the effects of credit availability on the financial performance of these enterprises. Since the methodology of this study concentrated on examining the impact of the Uwezo fund on the financial performance of MSMEs, the four wards of Mariashoni, Elburgon, Turi, and Molo included the whole population of the Molo Sub-County. Theories of agency, empowerment, and resourcebased perspectives served as the foundation for this investigation. Eight years, from 2016 to 2023, were covered by this study. Secondary data used in this study were taken from government monitoring and assessment documents. Mostly from the retail, wholesalers, agribusiness, transportation, saloon and barbershop, and cyber shops sectors, the respondents were businessmen and women. Thirty people with disabilities, 120 young people, and 80 women made up the 230 people that made up the target demographic for this study. 168 respondents were chosen for the study sample, and their numbers were determined using Slovin's algorithm. The selection of the study's sample was done using the purposive sampling method. The questionnaire was the main instrument utilized in this study to gather data. Based on the findings, primary data were gathered for this investigation. Descriptive statistics were used to assess the mean, frequencies, and standard deviation of the quantitative data. After gathering the data, the researcher coded and confirmed the data. SPSS, or the Statistical Package for Social Sciences, version 29 was used to help with data analysis. The data was shown using tables, charts, and graphs.

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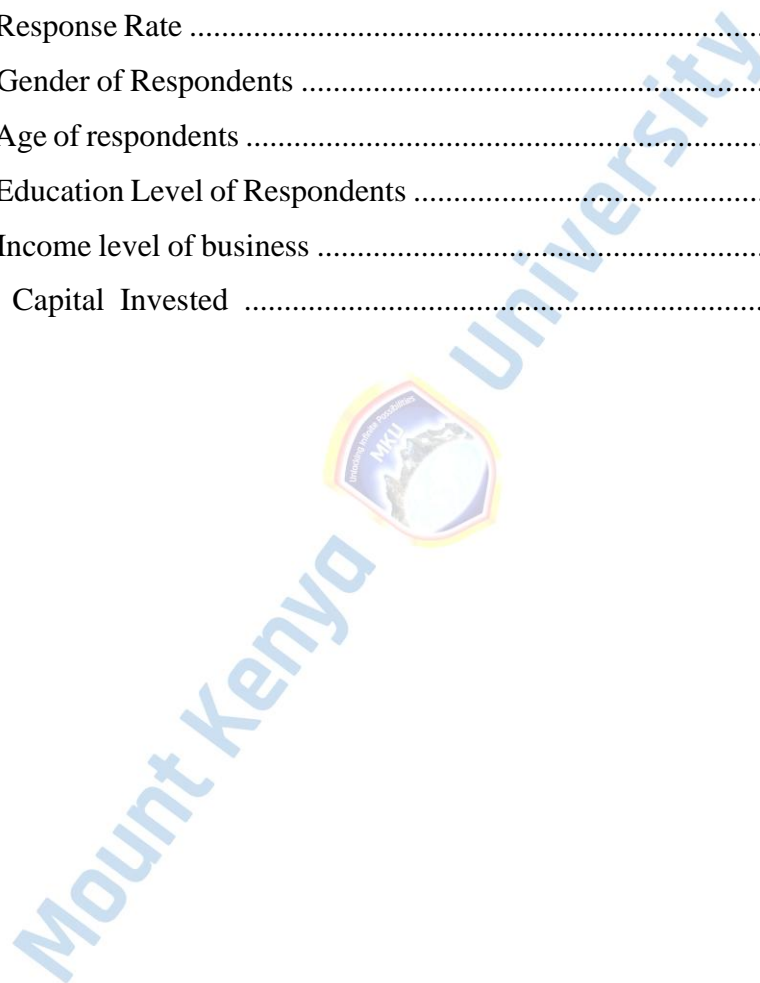
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LIST OF ABBREVIATIONS AND ACRONYMS

AAF	Affirmative Action Fund
AAG	Affirmative Action Groups
AGPO	Access to Government Procurement Opportunities Program
BFK	Biashara Fund Kenya
MDG	Millennium Development Goals
CRB	Credit Reference Bureau
GDP	Gross Domestic Product
GOK	Government of Kenya
KNBS	Kenya National Bureau of Statistics
MFI	Micro Finance Institutions.
MSMEs	Micro Small and Medium Size Enterprises
NGAAF	National Government Affirmative Action Fund
NIM	Net Interest Margin
ROA	Return on Assets
ROE	Return on Equity
ROK	Republic of Kenya
SPSS	Statistical Package for Social Sciences
WEE	Women Economic Empowerment
WEF	Women Enterprise Fund
YEDF	Youth Enterprise Development Fund

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The main cause of the widespread unemployment in the majority of developed and emerging countries is the poor performance of young, startup companies, which makes them unable to support the expansion of micro and small firms. Among the largest development difficulties facing the Third World today are youth unemployment and social and gender inequality. The 2019 national census report for Kenya states that there were 13.7 million conventional youth between the ages of 18 and 34. Of these, 61% were employed, while 1.6 million either stated they were looking for work or that there was none available. This suggests that the rate of unemployment among youngsters is 39%.

With over three million unemployed, nearly 15 million Kenyans live below the poverty line. Modifications to economic policies have made the rapidly rising rates of youth unemployment worse. Globally, countries are having to plan how to finance affirmative action groups for new businesses and strengthen those that already exist, but the businesses are still not performing up to par due to the rising rates of youth unemployment, social profiling, and gender inequality (ILO, 2019). To address this issue, governments around the world had to allocate cash for youth, women, and people with disabilities, even though the businesses are still operating at a pitiful rate. Ever since the global financial crisis began in 2008, governments everywhere have grown extremely concerned about unemployment.

Global Respective

The establishment of Micro and Small Enterprises (MSEs) has been a focus for many governments worldwide in an effort to spur economic growth (Olawe & Garwe, 2018).

Globally, In Australia, both major national funding schemes mandate that regional bodies manage funds for regional projects to manage on-the-ground management of rivers, coasts, ecosystems and vegetation. The devolution of powers and resources to regional bodies is dependent on participation, representativeness and transparency in the engagement process. Proponents of new regional arrangements hope that the increased involvement of communities in decision-making will lead to a more integrated and coordinated approach (Whelan and Oliver 2015).

Regional Perspective

The Employment Equity Act (EEA) of South Africa aims to eliminate unfair discriminatory practices on a regional level, promote fair treatment and equal opportunities in the workplace, and implement affirmative action policies that eliminate obstacles to employment faced by particular groups that were previously disadvantaged by the apartheid system. The EEA defines the designated groups as black people, women and persons with disabilities (Ismail, 2022).

Local Perspective

In Kenya, Uwezo Fund was established to provide financial support to affirmative action groups for socio-economic development through provision of accessible and affordable credit to women, youth and person living with disabilities. It also breaks down barriers and provides a level playing ground to ensure that the vulnerable and disadvantaged groups in the society are accorded equal opportunities to uplift themselves economically. The government has since the year 2017 initiated several Affirmative Action Funds and programs as financing instruments through which women, youth and PWDs can access

and use funds to start up or expand existing SMEs. The four kitties include Women Enterprise Fund (WEF), 2017, the Youth Enterprise Development Fund (YEDF), 2017, the Uwezo Fund, 2013 and the National Government Affirmative Action Fund (2018).

The main objective of the Affirmative Action Funds is to address affirmative injustices meted against the Affirmative Action Groups (AAGs) in the society. Kenyan government has provided the Affirmative Funds Oversight Boards to ensure funds are used as planned. The Oversight Boards are expected to help in the achievement of development goals and eliminate poverty at the grassroots level. Although many government funded projects aim to alleviate poverty in Africa, little effort is taken to see the initiatives meet the laid down goals (Kenya Gazette Supplement No. 18 of 2018).

The Government of Kenya (GOK) has made tremendous progress in addressing social inequality and gender equality by providing funds to support economic empowerment of vulnerable groups such as women, youth and persons with disabilities (PWDs). Funds for youth development were established by the Kenyan government because it saw the country's increasing youth population as an opportunity rather than a liability (UNDP, 2019).

The Uwezo Fund was created to increase financial accessibility and support locally based businesses run by women, young people, and people with disabilities. The fund was created to assist initiatives in industry, trade, services, and agriculture. Government initiatives receive varying degrees of assistance based on the administrative and technical aptitude of the entities responsible for implementing them. Although the fund has been praised for its achievements, concerns about the sustainability of the initiatives it funds remain. Pritchett (2019) asserts that accountability is a fundamental component of effectiveness, requiring

complete transparency with regard to the goal, nature, scope, and execution of any project or development activity.

1.1.1 Uwezo Fund

By virtue of Public Finance Management Act of 2014 Legal Notice No. 21, Uwezo Fund was established in September 2013. One of the main initiatives of Vision 2030 is to provide funding to women, young people, and people with disabilities so they can support businesses and companies at the Sub-County level. By offering mentorship programs, Uwezo Fund enables its beneficiaries to participate in its Capacity Building Program, which gives them access to the 30% government procurement preference. The fund's primary goals are to increase youth and women's access to capital for business and enterprise development at the constituency level, to encourage and generate selfemployment opportunities for these groups, and to serve as a model for alternative finance frameworks that support community-driven development.

Uwezo Fund, through its Capacity Building Programme provides mentorship opportunities to the youth, persons with disabilities and women putting them in a position to benefit from the 30% access to AGPO. The Kenyan government has committed to supporting their business start-ups by ensuring that the business environment allows for expansion of startup-businesses. Several agencies and institutions support small business funding through government sponsored policy programmes and Uwezo Fund is one of the key policies.

The Uwezo Fund provides interest free credit to the youth, women and person with disabilities thus attracting and facilitating investment in SME-oriented commercial

infrastructure (Ismail, 2022). This has been proposed as a means of increasing the number of youth, women and person living with disability enterprises, supporting their SMEs and providing links whereby these businesses can be expanded. The youth, women and person living with disabilities also receive services aimed at developing their entrepreneurial acumen resulting in development of sustainable enterprises.

Uwezo has two types of loans. The first is Wezesha loan which is a constituency-based loan intended to finance first time borrowers' projects and enterprises. The loan amount ranges between Kshs. 50,000 to Kshs.100, 000. The second, Endezeza Loan is for repeat borrowers. Subsequent funding is based on an incremental percentage of between 150 to 200% of the initial loan but not more than Kshs 500,000.

1.1.2 Financial Performance

According to Chen and Huang (2017), performance is a multifaceted concept that incorporates both financial and non-financial criteria. Non-financial indicators include customer satisfaction, stock performance, customer retention, market share, reputation, innovation-related performance, corporate social responsibility, and employee-related performance, whereas financial measures include profitability, sales turnover, new wealth creation, and efficiency (Dalrymple, 2017).

Financial performance is defined as a company's ability to use operational and investment decisions and strategies to achieve financial stability. According to Murthy and Sree (2018), financial performance is the ability to leverage investment and operational decisions and strategies to achieve a company's financial stability. Financial performance, according to Adetayo et al. (2020), consists of an organization's achievement metrics. Financial performances gauge the goals and benchmarks of a company. The financial success of a company is assessed using a variety of metrics, such as debt, liquidity, and

profitability metrics. In 2004 Reid and Joshua The ultimate aim of a company is profit. According to Murthy and Scree (2003), Profitability is determined using a variety of criteria, the three most essential of which are return on equity, return on asset, and net interest margin. Return on Assets (ROA) is a measure that shows how profitable a firm is in comparison to its total assets.

ROA reveals how well management uses its resources to generate profits. The Return on Assets (ROA) of a company is calculated as a percentage by dividing its annual earnings by its total assets. This is sometimes referred to as "return on investment" (Mutua, 2018). ROA is a key indicator of a company's profitability. According to Khrawish (2017), it is the ratio of revenue to total assets. It evaluates how successfully an organization's management can generate a profit by utilizing the resources at its disposal.

ROA is a key indicator of a company's profitability. According to Khrawish (2017), it is the ratio of revenue to total assets. It evaluates how successfully an organization's management can generate a profit by utilizing the resources at its disposal. The net interest margin, or NIM, is the difference between the amount of interest paid to lenders and the interest revenue received by a corporation in relation to the value of its assets. According to Olweny and Shipho (2017), it is generally expressed as a percentage of the entire amount of assets on which the company generated revenue during that time period (average earning assets) less the interest paid on borrowed money.

Return on equity (ROE) is a financial ratio that compares a company's profit margin to the total amount of invested or balance-sheet shareholder equity. ROE represents what shareholders view to be a return on investment. Numerous studies have demonstrated the

beneficial relationship between investment growth and profitability and macroeconomic stability (Easterly, Islam & Stiglitz, 1999).

1.1.3 Micro small and Medium Size Enterprises

Given their broad economic spillover effects, the National MSMEs report (KNBS, 2016) states that the importance of MSMEs in fostering economic development and growth cannot be overstated. The industry continues to promote economic growth and development by continuing to embrace various financial management methods, which contributes to their improved financial performance. These findings are further reinforced by the economic survey. The poll goes on to state that MSMEs are active in every economic sector in Kenya. But in certain important industries, like trade, manufacturing, and other service sectors, they are more likely to be active. In Kenya, micro, small, and medium-sized businesses (MSMEs) comprise 24% of the country's GDP, while micro businesses make up 12% and small businesses, 11%. The industry offers young people, women, and people with disabilities a plethora of career options. In an attempt to fully use the industry, the Kenyan government has recently started formalizing the sector. As a result, the Micro and Small Enterprises Authority was established.

(MSEA), a comprehensive regulatory framework that impacts MSMEs. The Micro and Small Enterprise Authority (MSEA) is a state company established in compliance with Micro and Small Enterprise Act No. 55 of 2016. The Authority has set out to increase the utilization of intellectual capital by MSMEs' owners as a fundamental issue that directs the adoption and integration of financial management practices into MSMEs' day-to-day operations in Kenya (KNBS, 2016).

1.1.4 Effects of Uwezo Fund on Financial Performance

The Kenyan government has recently begun formalizing the business in an effort to utilize it to its full potential. Consequently, the Micro and Small Enterprises Authority came into being.

(MSEA), a comprehensive set of regulations that impacts MSMEs. The Micro and Small Enterprise Authority (MSEA), a state organization, was established in compliance with Micro and Small Enterprise Act No. 55 of 2016. Increased utilization of intellectual capital by MSMEs' owners is the Authority's main goal in guiding the adoption and integration of financial management techniques into MSMEs' daily operations in Kenya

(KNBS, 2016). As aforementioned in the background of this study, in Kenya, Unemployment is one of the issues that the government has dealt with for many years. Small businesses in Kenya have an important role not just in promoting economic development but also in eliminating unemployment. According to the Economic Survey (2019), micro, small, and medium-sized enterprises (MSMEs) in Kenya generated more than 50% of new jobs to the economy.

Despite the fact that entrepreneurship is very important in Kenya, the KNBS (2019) reveals that five new business owners fail during the first few months of operation. Many factors, such as inadequate funding, technical support, or training, are blamed for the difficulties that result in this kind of failure (Bwisa, 2019). If the issue of sustainable funding for SMEs' activities and operations is not given enough thought, they run the risk of not fulfilling their purpose and, worse yet, of closing down due to the unviability of their operations. (Kristina, 2016) The primary applications for the funds borrowed from the Uwezo Fund are in the following areas: retail and wholesale trade, which includes buying and selling eggs, selling used clothing, operating businesses like restaurants, boda bodas, tuk tuks, outside catering,

and event planning; agribusiness, food supplies, crop cultivation, and livestock rearing for sale. More MSMEs should perform better as a result of having greater access to capital and funding. Without the Uwezo fund, MSMEs would not have been able to invest in projects that they would have otherwise been unable to fund.

1.2 Statement of the Problem

Despite the fact that the government and other development organizations provide additional financial support to these enterprises on a regular basis, the failure and collapse rate of affirmative action group firms in Kenya remains high. As was previously mentioned, MSMEs are being increasingly acknowledged on a global scale for playing a crucial role as the foundation of any country's economy.

The agreement among important parties, such as; the belief held by economists, policy makers, and business specialists is that the MSME sector boosts a nation's economy by generating new job opportunities, generating tax revenue, stabilizing household incomes, and encouraging entrepreneurship and innovation. According to the 2016 Economic Survey, the industry accounted for more than 60% of the newly created jobs in 2015. However, despite their importance, three out of every five firms fail during the starting phase (GoK, 2020). Lack of funds has been cited as the cause of this. There isn't much proof that these small businesses expand into medium-sized businesses (Fadahunsi, 2018). Through the Uwezo Fund, a sizeable sum of money is given to women, young people, and people with disabilities. These funds continue to show disappointing returns despite this significant investment since the projects they have sponsored have not yet been chosen.

By using the Lari constituency in Kiambu County as a case study, Wangari (2018) evaluated media efforts related to the Uwezo Fund. A review of the obligatory conditions should be conducted to make the Uwezo Fund more youth-friendly, as the study indicated

that low levels of awareness of the fund contributed to low levels of involvement among beneficiaries. Because it focused exclusively on young people, this study did not cover other affirmative groups, such as women and people with disabilities.

The present study aims to bridge the gap by investigating all affirmative action groups in Molo Sub-County. The previous research was also conducted in Lari Sub-County, Kiambu County.

Macharia and Njoroge (2020) conducted a descriptive survey of SMEs in Juja Constituency to investigate the influence of the Uwezo Fund on the economic growth of Kiambu County's small and medium-sized firms. According to the study, the majority of respondents had access to the Uwezo fund. The result was that Uwezo loan should increase its accessibility to absorb entrepreneurs who prefer to take the loan individually rather than as a group.

This research based its study only in Juja Sub- County excluding other Sub-Counties. Therefore, the current research based its research in Molo Sub-county and would specifically deal with Uwezo Fund initiative and its effects on financial performance of small and medium size enterprises.

Using Nyamira County as a case study, Nyanchama et al. (2016) conducted research on the factors impacting Kenyan people' access to the Uwezo Fund. Government measures were shown to have an impact on fund availability that was both favorable and unfavorable. But generally, it was now harder to access the money because of laws and regulations governing repayment, access, and government policies. This study focused on loan availability but neglected to consider other Uwezo elements, such as financial planning and training for entrepreneurship; the current study aims to close this gap.

Employing a case study of Nyamira County, Nyanchama et al. (2016) investigated the factors impacting Kenyan individuals' access to the Uwezo Fund. The results of the study showed that access to funds was impacted by government policy in both positive and bad ways. It was more difficult to access the fund overall, nevertheless, due to laws and restrictions regarding access procedures, repayment procedures, and government policies. The present study aims to close the gap left by the previous study, which focused primarily on loan availability while ignoring other Uwezo aspects including financial planning and entrepreneurial training. The purpose of this study is to look at the influence of the Uwezo Fund on the financial performance of Molo Sub-County's small and medium-sized enterprises (SMEs). It specifically looked at the following factors: the impact of credit availability on the financial performance of SMEs in Molo Sub-County; the impact of loan repayments on the financial performance of SMEs in Molo Sub-County; the impact of financial planning on the financial performance of SMEs in Molo Sub-County; and the relationship between entrepreneurial training and the financial performance of SMEs in Molo Sub-County.

1.3 Purpose of the Study

The purpose of this study was to analyze the effects of Uwezo Fund Initiative on financial performance of micro, small and medium size enterprises in Molo Sub-County, Kenya.

1.3.1 Specific Objectives

Specifically, the study was guided by the following specific objectives;

- i. To examine the effects of access to credit on financial performance of Small and Medium Size Enterprises in Molo Sub-County, Nakuru County.
- ii. To assess the effects of loan repayments on financial performance of Small and

Medium Size Enterprises in Molo Sub-County, Nakuru County. iii. To evaluate how financial planning affects financial performance of Small and

Medium Size Enterprises in Molo Sub-County, Nakuru County.

iv. To assess how entrepreneurial training affects financial performance of small and medium Size Enterprises in Molo Sub-County, Nakuru County.

1.4 Research Questions

i. How does access to credit impact financial performance of small and medium size enterprises? ii. Does loan repayment affect financial performance of small and medium size enterprises? iii. How does financial planning affect financial performance of small and medium size enterprises?

iv. What is the effect of entrepreneurial training on financial performance of small and medium size enterprises?

1.5 Scope of the Study

This research examined the impact of the Uwezo Fund Initiative on the financial performance of small and medium-sized businesses in the Molo sub-County, Kenya. The responses from the chosen agribusiness enterprises—which grow crops and raise livestock for sale—as well as the retail and wholesale trade of used clothing, groceries, restaurants, boda bodas, tuk tuks, outside catering, and event planning—were used to inform the study. The eight-year study period, from 2016 to 2023, was dedicated to Uwezo-Funded initiatives.

1.6 Limitations of the Study

Every research project has constraints. The researcher had to work within both cost and time constraints to achieve the study's stated objectives. This study's constraints included limited funds for printing and distributing questionnaires, as well as tight lecture schedules. The distance to be covered in data collection with the current financial economic challenges was also a limiting factor. The researcher had difficulty acquiring data from several SMEs that refused to share certain details.

1.7 Delimitations of the Study

The study was conducted in Nakuru County, primarily in Molo Sub-County, Kenya, and targeted youth, women, and people living with disabilities. Uwezo provided funding for firms in agriculture, trade, services, and manufacturing. The study requested information from these groups that were carrying out Uwezo-funded projects.

1.8 Significance of the Study

This study would be of considerable value for academics and academicians who would strive to understand the influence of the Uwezo Fund on the financial performance of SMEs. The study would also be of great importance to the program implementers and policy makers while implementing the Uwezo Fund initiative.

The findings would be extremely valuable to businessmen and women in a variety of industries. They would provide information to guide their management decisions following the acquisition of the fund, utilization, and repayment in order to enable a strong organization. It would provide them with the necessary information to make the critical decision to ensure the execution of their association.

This study would also be of considerable relevance to the Republic of Kenya because the results can be used to boost the fund operations while addressing any issues discovered to

incorporate the SMEs into achieving the Millennium Development Goals (MDGs). The research findings would likely help shape market-oriented and needs-driven entrepreneurial programs for youth, women, and people with disabilities.

1.9 Operation Definition of Key Terms

Enterprise: An undertaking or a commercial concern, whether formal or informal, engaged in producing things or providing services.

Micro Small and Medium Size Enterprises: are businesses that keep their sales, assets, or personnel count below a specific level.

Affirmative Action Fund: This is money set aside by the government under the Public Management Act of 2014 to support disadvantaged populations, such as women, youth, and people with disabilities, in order to improve equity.
e.g Uwezo Fund

Youth: These are people aged between 18 and 35 years.

Women Enterprise and Development Fund: The government set aside funds to assist women entrepreneurs to establish SMEs and or facilitate the already existing ones.

CHAPTER TWO LITERATURE REVIEW

2.1 Introduction

This chapter gave a survey of the literature to provide a foundation for the study and its concepts. Furthermore, the chapter discussed the theories that guided the study, the factors of financial success, and empirical studies, highlighting the research gap, before providing a summary of the empirical literature.

2.2 Theoretical Framework

Various theories were discussed presenting arguments that guided this study. These theories included: empowerment theory, agency theory and resource-based view theory.

2.2.1 Empowerment Theory

Empowerment is both a value orientation for working in the community and a theoretical model for understanding the process and consequences of efforts to exert control and influence over decisions that affect one's life, organizational functioning, and the quality of community life (Perkins & Zimmerman, 2019; Rappaport, 2019; Zimmerman & Warschausky, 2018). The demonstration of this idea has a significant impact on society. Zimmerman and Warschausky (2018) focus on the incidence of financial empowerment at the individual level.

The psychological mechanisms that govern how people behave and interact with one another are transformed by this theory through theoretical extension. The majority of the examination of this theory is concerned with how people behave and the emotions that motivate them. A given set of goals demands one to grasp it critically and have awareness, the manner that they are going to gain the abilities and resources required to reach the goal, effective decision making, problem solving, and leadership skills. (Maritim, 2019).

The psychological mechanisms that govern how people behave and interact with one another are transformed by this theory through theoretical extension. The majority of the examination of this theory is concerned with how people behave and the emotions that motivate them. A given set of goals demands one to grasp it critically and have awareness, the manner that they are going to gain the abilities and resources required to reach the goal, effective decision making, problem solving, and leadership skills.

This theory transforms the psychological systems governing how people behave and interact with one another through theoretical extension. The majority of research into this theory is focused on how people behave and the emotions that drive them. A given set of goals necessitates a critical understanding and knowledge of how they will acquire the skills and resources required to achieve the goal, as well as effective decision making, problem solving, and leadership abilities. (Hussain, 2015). These included opportunities to learn and acquire skills, resource mobilization so that individual competencies and proactive behaviors could influence the social and political environment, systems that naturally help the environment, and organizational effectiveness (Kusters, Vugt, Wigboldus, & Woodhill, 2016).

This hypothesis was relevant to the study because it assured that individuals may learn skills that would allow them to become self-sufficient and regulate themselves (Woods & Joyce, 2019). When youngsters exercise self-control, political elites are unable to engage in actions that may disturb the quiet of others or destroy property since they are financially independent of their firms. Empowerment produces three empowering processes: a sense of control, awareness, and involvement (Zimmerman 2018). Individuals must have an individual feeling of control, critical awareness, and the willingness to work in order to fulfill the tasks that have been assigned to them. Empowered youths, PLWDs, and women understand who they are in society, have a sense of self-control, can participate in the development of their country, engage in economically productive activities, and participate in decision-making on issues that affect them. Training was also part of the process, which would allow them empower themselves to manage the services they provide.

2.2.2 Agency Theory

Agency theory is a management method where an individual called the agent works for another individual and also tries to accomplish the goals of that individual-the principal (Hendry 2019). The agent is expected to advance their interests while also looking at the interests of their principal. There should be a balance between these two individuals' interests if the agent is to gain from the relationship and the principle organizational goals are to be met. The agent in this case is in charge of utilizing the firm's resources.

As noted by Laffort and Martimost (2016) the agency theory is important as what the agent chooses to do does not only affect him but also the interests of many stakeholders or principles. The firm is made up of numerous external and internal conflicts that provide a link between the firm and its employees, unions, customers, suppliers, shareholders among other stakeholders. In agency relationship, the principals and agents are also assumed to be rational economic persons who are capable of forming unbiased expectations regarding the impact of agency problems together with the associated future value of their wealth (Barnea et al., 2018).

Agency theory focuses on the contractual relationship between two or more people. Jensen and Meckling (2019) define an agency relationship as a contract in which one or more people (principals) hire another person (the agent) to perform a service on their behalf, which includes delegating decision-making authority to the agent. Managers, according to Jensen and Meckling, are employed to maximize the profits to the shareholders, who are the principles. Jensen and Meckling assume that as agents do not own the corporations resources, they may commit moral-hazards (such as shirking duties to enjoy leisure and hiding inefficiency to avoid loss of rewards) merely to enhance their own personal wealth at the cost of their principal. In this context, the affirmative action groups are the agents

while the government is the principal. Affirmative action groups should work and utilize funds in the prudent manner for their betterment and satisfaction of the principal who is the government.

2.2.3 Resource-Based View Theory

The Resources Based View (RBV) is regarded as the primary theory explaining the impact of a resource on business performance (Crook et al., 2018). This study evaluated affirmative action funds as a financial resource that could influence MSMEs' financial performance, hence RBV is significant. According to the notion, the corporation should use its available resources efficiently in order to gain a sustainable advantage.

According to this theory, a business is defined as a collection of resources and capabilities, and ownership of such a resource bundle affects the enterprise's ability to survive or function (Amit and Schoemaker, 2018). According to research, effective management of internal resources can greatly boost venture performance and survival rates (Oginni and Adesanyam, 2018). However, for businesses in general, and start-ups in particular, the resource must be regularly extended and renewed. The theory explains that a firm has unique competencies and resources that are non-substitutable, inimitable, rare and valuable that it can use to achieve sustainable advantage. Resources in this case are tangible and intangible assets that the firm owns or controls. Capabilities are the ability to use and combine resources by use of the inherent routines used by the firm to achieve the firm goals (Amabile et al, 2016). The RBV theory as used in this study hopes to indicate ways in which external and internal resources can impact a firm's competitiveness and the firm capabilities can help achieve innovativeness (Galbreath 2018).

Business firms faced resource shortages while also requiring efficient resource optimization. To compensate for the resource constraint, they needed to obtain similar

external resources and seek additional capabilities (Bontis et al., 2020). Business firms faced resource shortages while also requiring efficient resource optimization. To compensate for the resource constraint, they needed to obtain similar external resources and seek additional capabilities (Bontis et al., 2020). Furthermore, businesses were able to seek out specialists who could supply higher-quality products and services. At the same time, the business produced high-quality goods without having to hire a significant number of people.

MSMEs typically have limited access to resources and ideas, therefore outsourcing allows them to gather new ideas and inventions. It also resulted in prospective financial inflows from the transfer of assets to new providers. Given the preceding discussion, resource-based theory believed that resources were obtained from suppliers to supplement in-house competencies rather than being totally procured (Lumpkin & Dess, 2017). However, the theory asserts that not all of the firm's resources are required to establish a competitive advantage and greater performance. To maintain a sustained competitive advantage through above-average earnings, these resources must be valuable, non-substitutable, and non-transferable (Kraaijenbrink et al., 2019; Amit and Shoemaker, 2019). This suggests that disparities in business performance are due to diverse resources and competencies. Again, collecting above-average profits or having a competitive advantage in an industry or market can be viewed as temporary. The resource-based view thereby defined the underlying causes and triggers of the company's competitive advantage. Higher performance was primarily connected with the traits of its resources and capacities that were unique, significant, difficult to replicate, and irreplaceable. According to the Resource Based View (RBV), a company's success is dependent on its unique resources and skills.

2.3 Factors Influencing the MSMEs Performance

2.3.1 Financial Access

The lack of access to credit financing was universally identified as the most serious issue for MSMEs. This was characterized by a high cost of credit, high interest charges, high bank charges, a lack of collateral, and a failure to meet the bank's vetting procedure, which limited MSMEs' access to financial resources and had a detrimental impact on their financial performance. MSMEs therefore tend to borrow from friends and family as well as personal savings, which are insufficient to cover all of their financial demands (Macharia, 2016). The limited access to finances has a negative impact on the financial performance. MSMEs' limited access to funding prevented them from obtaining innovative technology capable of increasing their operational efficiency. They therefore continued to operate with the outdated technology. According to Nyambura (2019), small businesses cannot afford to adopt current information communication technology to automate their operations, resulting in high operational costs and inefficiencies associated with the reliance on manual methods of doing things.

2.3.2 Entrepreneurship Training

According to Kenya National Human Development (2019), the two most significant barriers to small business success among Kenyan young entrepreneurs are a lack of business development skills and limited access to credit. According to Maisiba and Gongera (2018), among the youth, the lack of business skills is aggravated by inadequate experience in the work environment. Most youth and women who intend to go into business had inadequate or lacked skills to identify the appropriate business lines to invest in and effective product development and marketing. This is the reason for the high failure rates of small enterprises, with up to 80 percent of new business collapsing within their first

three years of operation. Embedding entrepreneurship curricula at an early age and in secondary and tertiary schools is an effective way of improving attitudes towards entrepreneurship and enterprise development for the youth (Gudda & Ngoze 2019).

The small enterprise sector includes self-employed craftspeople, microenterprises, cottage industries, and small formal businesses. These small businesses may operate in trade, commerce, distribution, transportation, construction, agribusiness, manufacturing, maintenance and repair, or other activities. As a result of the tendency toward the establishment of small businesses, the informal sector has grown to cover around 60 percent of the labor force in Africa (Sagwe et al. 2017).

According to Chingunta (2019), the primary obstacles that Kenyan youth face include a lack of sufficient education, adequate training, and the knowledge and skills required to promote their absorption into the labor market. He also claimed that measures should be put in place and implemented to guarantee that young people have the necessary abilities to discover and capitalize on business possibilities, as well as embrace current business management approaches. His research indicated that entrepreneurship training is viewed as a mode of thinking, reasoning, and doing that is opportunity-oriented, holistic in approach, and leadership balanced toward an entrepreneurial culture. According to Rori et al. (2019), entrepreneurial training programs can be an important component of economic strategies that promote employment creation. Entrepreneurship training can help aspiring entrepreneurs prepare for new ventures by transferring knowledge and developing appropriate skills that increase their self-efficacy and effectiveness. (Gibb, 2018) stated that education and training programs that provide young people with the skills necessary by the labor market are a key component in facilitating young people's transition to respectable job as well as enterprise development.

According to McGlaphren (2018), production costs are charges such as materials and labor that a corporation incurs while manufacturing a product for sale to consumers. In general, the lower the production cost, the greater the profit, or the amount left over after expenses are deducted from sales income. However, reduced production costs do not ensure a significant profit. A business may have unsustainable fixed expenditures, such as rent, or it may reduce production costs by creating an inferior product that no one wants.

2.3.3. Financial Planning

Financial planning is the ongoing process of allocating and directing financial resources to achieve strategic goals and objectives. Financial planning produces budgets. Understanding historical performance and turning that understanding into forwardlooking targets that link business results with corporate strategy is critical to increasing shareholder value (Arnold & Chapman, 2017).

Financial planning is essential to monitor and indicate a firm's financial capability throughout time (Beith and Goldreich 2020), in order to operate the company profitably. Owners want to maximize earnings (Ginn et al. 2019), regardless of the organizations tax status (not for profit (NFP) or investor owned. While businesses that do not create a return on assets greater than their cost of capital are at risk of financial failure (Hessler 2020; Langabeer 2018), a variety of financial performance indicators are frequently employed to track asset productivity.

A company can monitor its success against its budgets, for example, on a quarterly basis, offering a strong control mechanism. Frequent checks allow entrepreneurs to detect early on whether some expenses are spiraling out of control and take the appropriate corrective actions. It also allows senior management to identify trouble regions, such as lax cost controls in a certain geographic region.

Entrepreneurs may need to adjust their budgets and financial plans on a regular basis to accommodate for unexpected developments. Though some people detest budgets and believe they impose unmanageable limits, a budget is an essential component of any financial plan. Budgets enable business owners to provide investors and creditors with forward-looking information, and while they do not ensure success, they can assist avoid costly mistakes or failure. (Sobol, 2020).

2.3.4 Loan Repayment

A well-developed microcredit system can assist SMEs in obtaining affordable credit services, especially if there are flexible repayment choices (Alhassan & Hoedoafia, 2016). According to Bragg (2018): "the short time frame reduces the risk of nonrepayment to the bank, which can be reasonably certain that the business' fortunes will not decline so far within such a short time period that it cannot repay the loan, while the bank will also be protected from long-term variations in the interest rate". Interest rates have a large impact on loan repayment. A well-designed Affirmative Action Fund system can assist MSMEs in obtaining inexpensive loan services (Alhassan & Hoedoafia, 2016). If the interest rate is modest, MSMEs may find the affirmative action fund affordable. Access to cheap lending rates has been identified as a crucial element influencing MSMEs' performance (Mwangi 2017, Kamau and Kalio 2016).

Similarly, access to low-interest loans improves MSMEs' risk-bearing capacity, risk coping techniques, and consumption smoothing over time. The quantity of credit provided by the affirmative action fund may influence SMEs' success in terms of sales, liquidity, and even operating costs. Several researchers agree with this, including Oleka et al. (2016 UWFT, 2015; Wanambisi 2018). For example, Oleka et al. (2014) contend that loan size has a favorable impact on SMEs' growth. It was also stated that businesses that obtain adequate

loan amounts perform better than those that do not (Wanambisi, 2018). It was also argued that appropriate loan sizes for clients and matching SMEs' needs influence business sustainability.

2.4 Empirical Literature Review

The empirical literature review in this study focused on the empirical studies undertaken to establish the relationship of the Uwezo fund and financial performance. It focused on access to credit, loan repayment, entrepreneurship training and financial planning.

2.4.1 Credit Access on Financial Performance

Most formal financial institutions regard SMEs as very hazardous and commercially unviable, preventing them from obtaining financing, particularly in rural areas where most SMEs are located (Kellen, 2018).

The current legal and policy environment for financial services is insufficiently supportive of small borrowers and startups and must be improved. Despite the growing number of MFIs, rural SMEs suffer since MFIs are not located in rural regions due to limited resources and a lack of institutional capacity to provide a wide variety of financial services (Hatten, 2017). Odhiambo Odera et al. (2018) investigated the influence of the Youth Enterprise Development Fund (YEDF) on youth enterprises in Siaya County, Kenya. The investigation employed stratified random sampling to pick 28 YEDF financiers and 202,897 county children. The sample size comprised 128 respondents; 28 in the first stratum and 100 in the second stratum.

The information was gathered by survey questionnaires and evaluated using multiple linear regression analysis. The study revealed that the YEDF had no substantial impact on young entrepreneurship. The current study differs from this research in that it focuses on the entire

Uwezo Fund by the government, rather than just the YEDF, and its impact on MSMEs in Molo Sub-County, Nakuru County.

Muguchu (2018) conducted a study on the relationship between credit and SMEs' financial performance using both inferential and descriptive analysis. The survey sampled 40 SMEs operating in Nairobi's central business district. Similar to earlier studies, access to credit was found to improve the performance of SMEs. Byaruhanga (2017) found that lending terms and accessibility influenced agricultural cooperative performance. This study focused on the Uwezo Fund and its relationship to the financial performance of SMEs in Molo Sub-County, Nakuru County.

According to a study conducted by Amsi et al. (2017) on the impact of microfinance credit on SMEs' financial performance in Kenya, with a sample size of 210 SME owners within Nairobi County, 76.7% of respondents had obtained credit from microfinance institutions, indicating that the majority of SMEs are being supported by microfinance institutions. The stratified and simple random sample technique was used. According to the findings, 64.3% of respondents agreed that the first credit amount provided by the microfinance institution is appropriate for implementing business ideas. 52.4% agreed that the credit amount is sufficient to foster business growth. This means that the credit quantity received by SMEs is adequate for business growth. The data demonstrated a slight positive association between credit amount and SMEs' finance performance, because the $r = 0.243$ and the p-value 0.000 is less than alpha 0.05.

However, the regression analysis revealed that the credit amount contributes 16.8% of SME performance, which was determined to have a statistically significant effect on SMEs' financial success. This is consistent with the findings of Oleka et al. (2018), who suggested that loan size had a beneficial influence on SMEs' growth. This study, however, focused

on SMEs in Nairobi County who used a microfinance institution to facilitate their financing. The current study focused on Uwezo Fund as a credit booster for SMEs and conducted it in Molo Sub-County, Nakuru.

2.4.2 Loan on Financial Performance

Waweru (2016) evaluated the impact of interest rates on the loan repayment performance of SMEs in Kenya's coastal region. A random sample of 80 small and medium-sized business owners in Mombasa County was selected and interviewed. The data were analyzed and conclusions drawn using the Ordinary Least Squares approach. Data study found that interest rates have a considerable impact on a firm's ability to repay loans received from local MFIs. The data analysis revealed that loan-asset ratio and firm capability were major predictors of loan repayment rate.

2.4.3 Entrepreneurial Training on Financial Performance

Bowen et al. (2019), in a study conducted in Nairobi, Kenya, discovered that 49.5% of those who received business training reported that their enterprises were performing well. According to the study's findings, 60.8% of individuals who were not trained reported that their firms were performing poorly, while 39.2% reported that their entities were performing well without training. This study was based on 198 respondents, comprising business owners and managers.

Another study by Tubey (2017), which sought to establish the types of interventions offered by four agencies in Eldoret municipality, found that only 5% of respondents who received training reported significant benefit, with approximately 40% stating that they needed bookkeeping training. The aforementioned study used a sample of 195 entrepreneurs. Maisiba and Gongera's (2018) research on YEDF entrepreneurial training

found that the YEDF typically provides necessary, sufficient, relevant, and effective trainings that cover the standard curriculum required to equip and enhance youth with the necessary leadership and management skills to run their businesses before funds are disbursed to beneficiary enterprises.

This is a significant score for the YEDF entrepreneurship training component, given that the majority of the study data show that the majority of respondents (92.9%) agreed with the claims, while a minority (7.1%) disagreed. This was done with a sample size of 80 people. Data was analyzed using the Statistical Program for Social Sciences (SPSS) and displayed as frequency tables, pie charts, and bar charts. It revealed that beneficiaries have a minimal education and little or no prior business abilities and experience. The youngsters have also been very collaborative and cooperative in following up on the training program, including rigorous attendance, participation, and even follow-up trips to the constituency's YEDF offices for ongoing training, guidance, and counseling. This finding contradicts the Amenity et al. (2020) study, which indicated that youngsters in Nyaribari Chache Constituency rarely seek advice from relevant YEDF authorities.

2.4.4 Financial Planning on Financial Performance

Financial planning is assessing the financial status, determining corporate objectives, and then developing methods to attain them. Individuals and businesses can arrange their finances. Financial planning entails establishing objectives, prioritizing investments, allocating resources, managing risks, and developing methods for achieving them (Munene, 2018). Kurtz and Boone (2017) noticed that financial planning has a significant role in achieving financial goals. Personal financial planning is required for the most effective use of resources. Kiiru, S. M., Kamau, J. G., and Nzioki, P. M. (2018) conducted

a study on the impact of budget planning on the financial performance of small and medium enterprises in Nakuru Town Central Business District.

The study found that 94% (92) of respondents linked business outcome goals and objectives to programs, with an average of 4.500. Furthermore, 83% (78) of respondents believed that the business established priorities for the future year during budget conferences/committees, with a mean score of 4.145. Finally, 82% (78) of respondents agreed that all departments develop budget plans prior to the fiscal year, with an average of 4.226. The standard deviation ranged from 0.565 to 0.907, indicating that respondents' dispersion from the mean was small. The study is consistent with Sizer (2018), who believes that planning as part of the budgeting system includes long-term planning, strategic planning, and short-term planning.

2.4 Conceptual Framework

The link between the study variables were shown in the conceptual framework depicted in Figure 1. Uwezo Fund would be the independent variable, with SMEs' financial success as the dependent variable. In this conceptual framework, it was believed that Uwezo Fund elements (access to finance, entrepreneurship training, loan payback time, and financial planning) had an impact on SMEs' financial success.

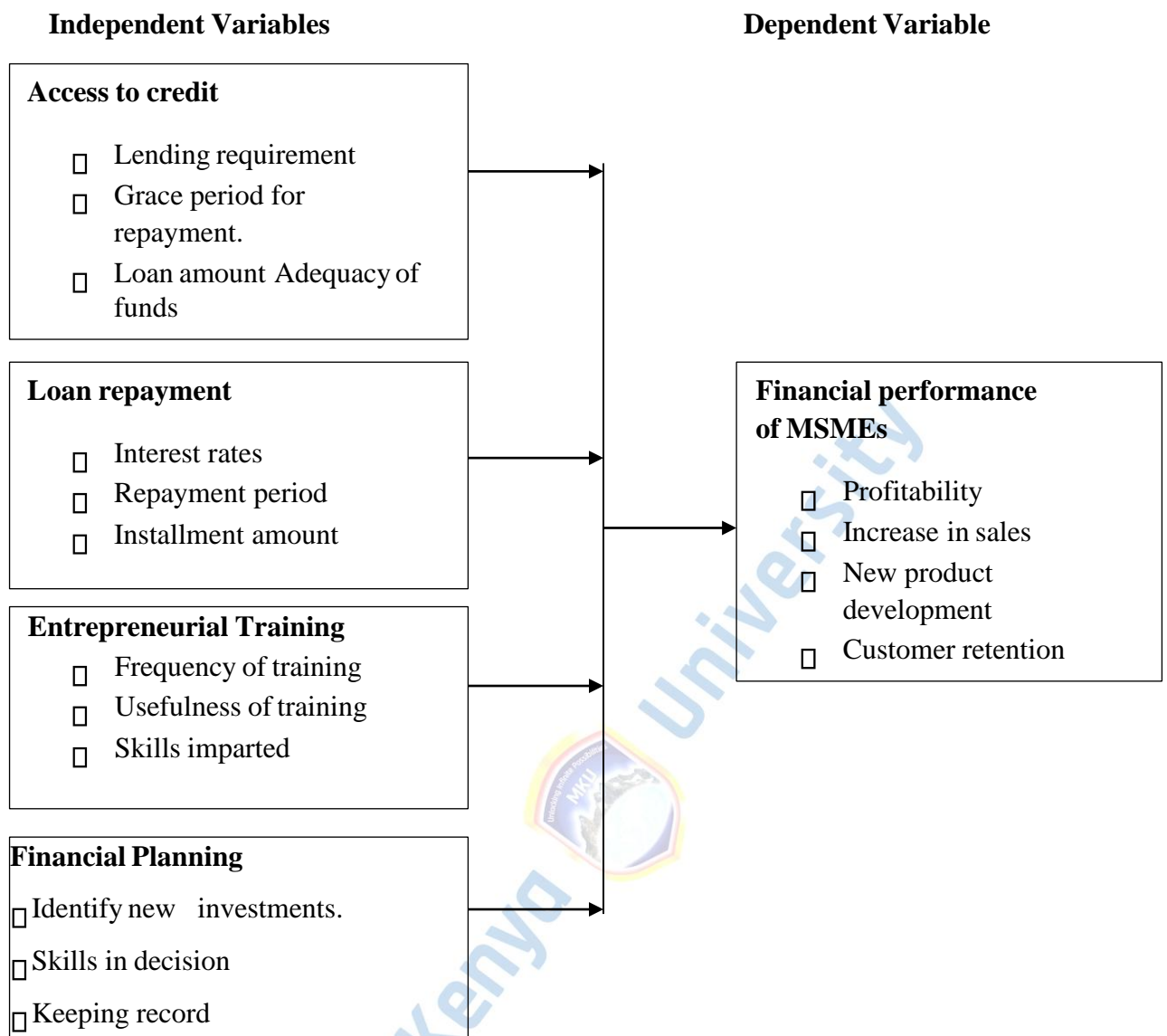


Figure 1: Conceptual Framework (Source, researcher ,2024)

2.5 Recap of Literature Review

Micro, small, and medium-sized businesses play a significant part in strengthening the country's economy. This is derived from the revenue generated by their firm. Several studies had been conducted on the subject, but there was still no consensus on the influence of the Uwezo fund on the financial performance of the MSMEs, with some finding a negative association.

An empirical literature assessment indicated that multiple authors made significant contributions to this topic. Uwezo fund had an impact on the financial performance of MSMEs. According to an empirical evaluation, no studies had been conducted on the impact of the Uwezo fund on the financial performance of MSMEs in Molo Sub-County, Nakuru County, Kenya. This was the gap that the current study attempted to close.



CHAPTER THREE RESEARCH METHODOLOGY

3.1 Introduction

This section of the research described the procedures and techniques that were used for data collecting, processing, and analysis. Specifically, the following parts are included: research design, target population, sample design, data collection instruments, data collection techniques, and data analysis.

3.2 Research Design

The descriptive research design was used in this project. The approach was appropriate since it allows for the description, interpretation of existing correlations, and comparison of variables under research. Descriptive research provided an accurate profile of people, events, or situations (Saunders, Lewis, & Thornhill, 2018). This design summarizes the characteristics of a specific circumstance, occurrence, or instance. It proposes causal ties between variables by observing actual phenomena and then sifting through available data to establish probable causal relationships. According to Orodho (2018), research design refers to the strategy used to generate responses to a research problem.

This research method was most effective in explaining whether two variables are related since its primary goal is to discover cause and effect relationships and to determine which variables are dependent and which are independent. This was established by gathering enough information and data to examine the cause-and-effect link. In this example, it investigated the cause-and-effect link between the Uwezo fund and the financial performance of micro, small, and medium-sized firms in Molo Sub-County.

3.3 Target Population

The target population is the complete set of people or things from which the study attempted to generalize its findings (Cooper and Schindler, 2018). According to Mugenda and Mugenda (2003), the population or universe is the entire number of goods, events, or people who share some observable features. The target population were responders from Molo sub-County's MSMEs. The target population for this study was MSMEs in Molo Sub-County who have benefited from the fund and operate businesses such as boda boda, tailoring shops, saloons, food stores, electronic shops, hardware shops, restaurants, boutiques, spare parts shops, and printing/communication businesses.

The target population for this study was 230 Uwezo Fund project beneficiaries in Molo Sub County, consisting of youth, women, and people with disabilities, from whom a sample size of 168 was drawn using the convenient sampling method.

3.4 Sampling Procedure, Sample Size and Techniques

A sample represents a portion or subset of the target population, whereas a sampling technique is the scientific process of picking items from populations. A stratified random selection technique was used to identify MSMEs for the study. Requests was made to Uwezo Fund volunteers in the respective offices to supply names of women, youth, and people with disabilities entrepreneurs, as well as contact information and company locations. The sample frame was formed from the lists. While the Molo sub-county was chosen purposefully, entrepreneurs who have benefited from the fund was chosen at random.

Purposive sampling, specifically judgmental sampling, was utilized to choose the firms and respondents with the most relevant information. According to Creswell (2018), judgment sampling is justified when there are only a few sampling units in the universe and simple random selection may miss the more significant parts, whereas judgment

sampling was almost certainly included them in the sample. The study had a specific objective and it used small research units. Purposive sampling allowed for the selection of interview objects that are relevant to the study's emphasis (Osuala, 2017).

Purposive sampling was utilized to choose Molo Sub-County as the study site since it had the most registered women organizations, adolescents, and entrepreneurs who had used the Uwezo grant. A stratified sample, random sampling technique was used, and a sample size of 168 out of 230 was generated from the list requested from Uwezo Fund volunteers at the social services offices in Molo Sub-County, who provided a list of MSMEs, contact information, and business locations. A total of 168 individuals out of 230 was questioned. The sample size was computed using Slovin's formula.

$$n = N / (1 + Ne^2).$$

Where:

n = no. of samples N = total population

e = error margin / margin of error (4%)

$$n = 230 / (1 + 230 * 0.04^2)$$

$$= 168$$

3.5 Data Collection Methods and Procedures

The basic data was acquired using a questionnaire. A questionnaire is a tool or instrument that has a series of questions and other prompts used to collect information from respondents. The questionnaire was divided into five pieces according to the research objectives. The questionnaire was appropriate for the study since the primary data for this study was obtained from MSMEs operators who are familiar with the trends in their firms.

Prior to collecting data, the researcher had to seek all necessary permits and consents. First, they secured an official letter of introduction from the university. This was followed

by seeking consent from the management of Molo Sub-County's MSMEs. The study questionnaire was subsequently be distributed to the sampled respondents. The questionnaires was collected when responders have had about five working days to fill them out. The researcher had to personally administer the questionnaires, and the MSME owners answered the questions immediately. The study variables were supplemented by secondary data from MSMEs' reports and financial statements. The study made use of secondary data from the years 2016 through 2023.

3.6 Data Validity and Reliability of Research Instruments

Data validity is the extent to which an instrument measures what it claims to measure. It refers to the correctness, veracity, and meaning of conclusions drawn from collected data. Kothari (2017) defines content validity as the extent to which a measurement tool adequately covers the issue under inquiry. The conversation with the supervisor confirmed the content's legitimacy. Reliability refers to the consistency of study findings. Reliability of the instrument ensures that the questionnaire is internally consistent. It is concerned with the estimations of the extent to which a measure is free of random error and a trustworthy instrument can be utilized with confidence that transient and situational factors are not interfering (Schindler, 2018).

3.7 Data Analysis and Presentation

The term analysis refers to the computation of specific measures as well as the search for patterns of relationship between data sets. To facilitate analysis, acquired data were edited, coded, classed, and tabulated (Mugenda, 2018). The acquired data were evaluated using both qualitative and quantitative methodologies utilizing the Statistical Package for Social Sciences (SPSS).

The study examined the data using descriptive statistics such as percentages and means. Inferential statistics such as correlation and regression was utilized to examine the

significance of relationships between research variables. To test the research hypotheses, the study conducted a correlation analysis. The link between the independent and dependent variables was determined using multiple regression models, which had reflected the nature and strength of their correlations. The model was provided as follows:

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

Where;

Y = Financial performance of MSMEs β_0 = y-intercept or constant, β_1 -

β_3 = Coefficients beta.

X_1 - X_3 = Independent variables (Loan repayment, access to credit, financial planning and entrepreneurial training) ε = is the error term

3.8 Data Presentation

Data presentation is the methodical organization of results into usable information. This assisted the reader in conceptualizing the material by assigning meaning. The findings were presented using tables and charts.

3.9 Ethical Consideration

The study took into account the ethical issues surrounding the research method. First, before administering the questionnaire, the researcher obtained authorization from the University and NACOSTI to perform the study. Respondent consent was obtained through a consent form that states that participation would be voluntary. Second, no photos or audio recordings were taken without the respondents' permission. Finally, all information provided by the respondent were to be kept strictly confidential and utilized solely for academic research purposes.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter covers the study's analysis, conclusions, and discussions of the impact of the Uwezo Fund Initiative on the financial performance of small and medium-sized enterprises in Molo Sub-County, Kenya. The first section of this chapter discussed the response rate. The second half dealt with the background data of the research respondents. This is followed by descriptive and inferential statistical findings based on the specific study variables, which are; to examine the effects of access to credit on the financial performance of Small and Medium Size Enterprises; to examine the effects of loan repayments on the financial performance of Small and Medium Size Enterprises; to evaluate how financial planning affects the financial performance of Small and Medium Size Enterprises; and to assess how entrepreneurial training.

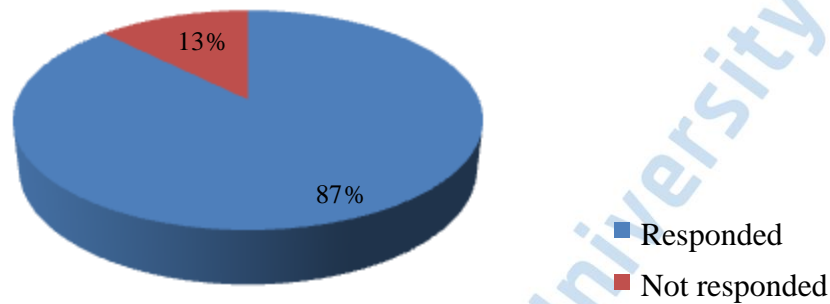
4.2 Response Rate

In this study, the researcher distributed 168 questionnaires to the small and medium-sized firms in Molo Sub-County. Following collection, it was discovered that a total of 147 questionnaires had been correctly completed and returned. This value represents an 87.5% response rate, as seen in value 2. The unusually high response rate was ascribed to the fact that the questionnaires were distributed to respondents in person by the researcher, who explained the rationale for maximum engagement in the study by the SMEs while also providing factual data. The return was outstanding for testing and analysis, and it agrees with Mugenda and Mugenda (2003)'s criterion that a return of 50% is adequate for inspection and reporting; a rate of 60% is good, and a response of 70% or above is exceptional. According to this assumption, the response rate was great.

Table 1: Response Rate

	Frequency(f)	Percentage (%)
Responded	147	87.50%
Not responded	21	12.50%
Total	168	100%

Source: Research Data (2024)

**Figure 1: Response Rate Source: Research Data (2024)**

4.2 Background Information

The study assessed the respondents' background information. It addressed aspects such as gender, age, degree of education, kind of business enterprise, income level, years of business operation, and enterprise capital level.

4.2.1 Gender Distribution

On the issue of gender, the researcher included every gender within the study scope. The responses were analyzed as either male or female. Figure 3 and Table 2 shows that out of 147 respondents, 83 (56.46%) were male while 64 (43.54%) were female participants.

Table 2: Respondents Gender

Gender	Frequency(f)	Percentage (%)
Male	83	56.46%
Female	64	43.54%

Total	147	100.00%
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Source: Research Data (2024)

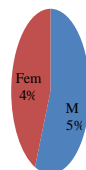


Figure 2: Gender of Respondents Source: Research Data (2024)

Figure 3 provides a summary analysis of the gender of the respondents. Based on the above analysis, it was found that majority of the respondents were male which represented 56% and the female respondents were 44 %. Gender parity was adhered to in distribution of questionnaires. This is a clear indication that there are more men than women who are engaged in small and medium size enterprises in Molo Sub-County. This is because majority of these business are run by men. These include transport sector of motorcycles commonly known as boda boda and also in retail and wholesale shops.

4.2.2 Age Distribution

The researcher thought it was wise to include age of the respondents as one of the demography parameters. This helped in ascertaining reliability of the responses given by the participants.

Table 3 and figure 4 that follow specify the outcome.

Table 3: Age of Respondents

Age of respondents	Frequency(f)	Percentage (%)
15-19	2	1.36%
20-25	12	8.16%

26-30	47	31.97%
31-35	39	26.53%
36-40	18	12.24%
41-45	8	5.44%
46-50	12	8.16%
Above 50	9	6.12%
Total	147	100.00%

Source: Research Data (2024)

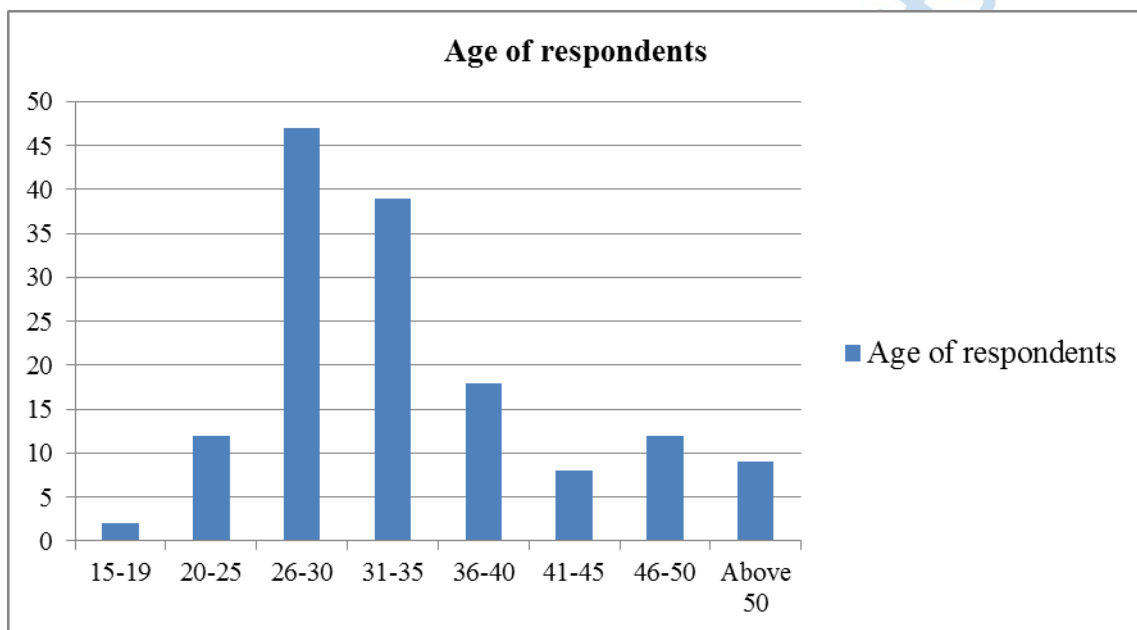


Figure 3: Age of respondents Source: Research Data (2024)

Respondents who were 15-19 years represented 1.36%; 20-25 represented 8.16%; 26-30 represented 31.97%; 31-35 represented 26.53%; 36-40 represented 12.24%; 41-45 represented 5.44%; 46-50 represented 8.16% and those who were above fifty years represented 6.12%. The findings shows that majority of respondents were the youths who decided to venture into businesses. The smallest number was those aged 15-19 years which included youths who majorly dropped out of school and ventured into business. This was found to be concentrated on transport, saloons and barber shops. The elderly, were mainly composed of women were found to be over fifty years.

4.2.3 Distribution of respondents by level of education

The study examined the distribution of the sampled SMEs in Molo Sub-County according to their academic qualification. This is in order to understand their ability and reliability of the study. Distribution of the entrepreneurs according to education level is shown in Table 4.

Table 4: Respondents Education

Education level	Frequency(f)	Percentage (%)
Primary	5	3.40%
Secondary	73	49.66%
Tertiary	57	38.78%
University	12	8.16%
Total	147	100.00%

Source: Research Data (2024)

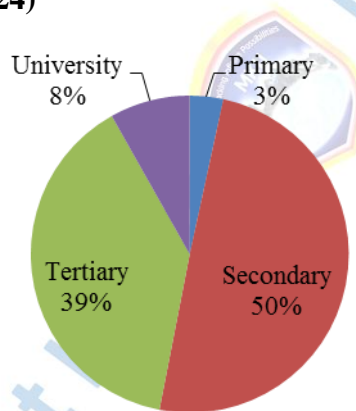


Figure 4: Education Level of Respondents

Source: Research Data (2024)

In the Table 4 and Figure 5, respondents who had primary certificate qualification were found to be 5(3.4%), 73 respondents (49.66%) had secondary education certificate, 57 respondents (38.78%), had tertiary education qualifications and 12 respondents (8.16%) had University degree qualification. From the figures, it can be seen that majority of SMEs who could not proceed to colleges or university had ventured into business. The findings were interpreted to mean that SMEs in Molo Sub-County had basic education

qualifications for planning, managing and running of their businesses. This has been supported by affordability of education in the recent years.

4.2.4 Business Enterprises Operated

Table 5: Type of Business Enterprise Operated

Business Enterprise Operated	Targeted no.	No of respondents	Percentage (%)
Retail	80	74	50.34%
Agribusiness	15	11	7.48%
Transport	25	22	14.97%
Wholesalers	10	8	5.44%
Saloon/Barbershop	18	13	8.84%
Cyber shop	20	19	12.93%
Total	168	147	100.00%

Source: Research Data (2024)

Table 5 shows the distribution of the sampled small and medium-sized firms in Molo Sub-County.

It was revealed that, out of 147 respondents, 74(50.34%) were in the retail sector, 11 (7.48%) were in Agribusiness, 22 of the respondents (14.97%) were in transport sector, 8 (5.44%) were wholesalers, 13 respondents (8.84%) were on saloon and barber shops and 19 (12.93%) were operating cyber shops. From the analysis, it was found out that, majority of these entrepreneurs were in the retail sector. This means, most of the Uwezo fund beneficiaries preferred venturing into retail sectors. Majority of entrepreneurs in transport sector were majorly the youth. Those in Agribusiness were found to be women who ventured into commercial farming of potatoes, peas and keeping of poultry.

4.2.5 Income Level from Business

Table 6: Income Level of Business

Income level of business	Frequency(f)	Percentage (%)
0-20,000	88	59.86%

21,000-40,000	49	33.33%
41,000-60,000	5	3.40%
61,000-80,000	1	0.68%
81,000-100,000	4	2.72%
Above 100,000	0	0.00%
Total	147	100.00%

Source: Research Data (2024)

The responses in Table 6 were analyzed in respect to the monthly income level of the enterprises. Most of the respondents stated that they generated an income between zero and twenty thousand Kenya shillings per month. This is represented by 88(59.86%) of entrepreneurs. Among these, majority were found to be from retail, transport, cyber shops and saloon and barber shops. 49(33.33%) of respondents were found to be generating an income of between twenty one thousand and forty thousand Kenya shillings. These were from some of the retail entrepreneurs as well as Agribusiness sectors. There were 5(3.4%) of the respondents who generated an income of between forty-one thousand and sixty thousand Kenya shillings. These were from some of the wholesalers and few retailers. 1(0.68%) of the respondent was found to be generating an income of between sixty-One thousand and eighty thousand Kenya shillings. This was from wholesaler sector. 4(2.72%) of the respondents were found to be getting a monthly income of between eighty-one thousand and one hundred thousand Kenya shillings. Most of these were found to be from wholesaler and Agribusiness sectors. There were no individuals who generated monthly income of above one hundred thousand Kenya shillings. These were summarized in Figure 6.

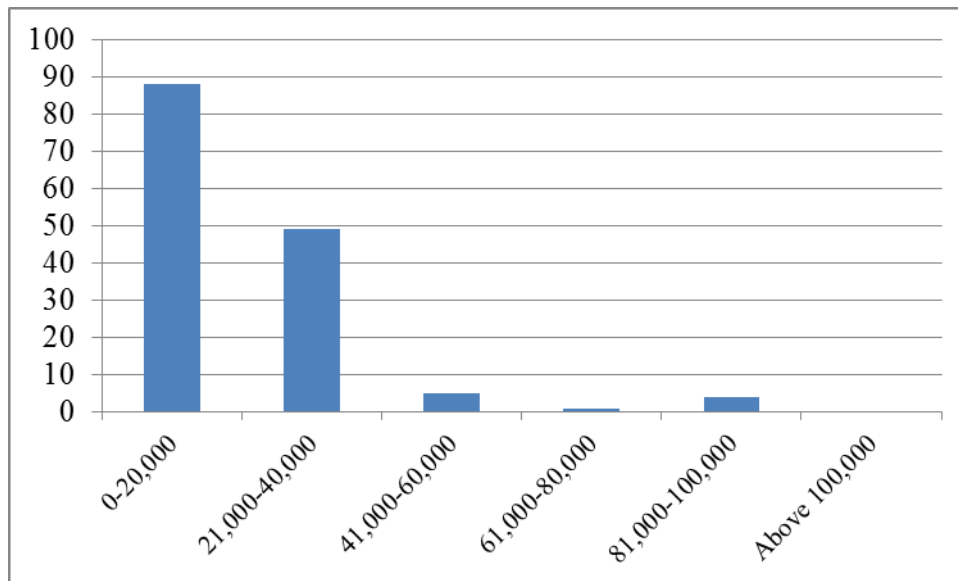


Figure 5: Income level of business Source: Research Data (2024)

The findings of this study shows that majority of businesses generated a monthly income of between zero and twenty thousand shillings. This was because majority of these businesses were small enterprises which were composed of retailers and transport sector of motorcycles. Those with greater monthly income of eighty one thousand and one hundred thousand were majorly the wholesalers who dealt with a large stock and supplies.

4.2.6 Distribution of Respondents by Years of Operation

Table 7: Years of Business Operation

Years of operation	Frequency(f)	Percentage (%)
Below 6 months	12	8.16%
6 months-1 year	26	17.69%
1 year- 3 years	22	14.97%
3years-5 years	49	33.33%
Above 5 years	38	25.85%
Total	147	100.00%

Source: Research data (2024)

The study analyzed the period in which the business enterprises had been in operation. The results as shown in the Table 7 indicated that most SMEs (33.33%) have been in operation for the period between 3 years and 5 years while a small number (8.16%) of the businesses were on their start-up stage. This may have been occasioned by a favorable economic condition for the last period between 3 years and 5 years and allocation of Uwezo Funds to different Uwezo beneficiaries within this period. Low number of startup may have been due to harsh economic condition which does not favor business startups. 17.69% of the SMEs had been in operation for the period between 6 months and 1 year while 25.85% of the SMEs have been in operation above 5 years.

4.2.7 Distribution of respondents by capital invested

Table 8: Capital Invested

Capital invested	Frequency(f)	Percentage (%)
<50,000	22	14.97%
50,000-100,000	55	37.41%
100,000-500,0000	63	42.86%
Over 500,000	7	4.76%
Total	147	100.00%

Source: Research Data (2024)

The study further analyzed the capital investment level of the respondents. The response in this study was analyzed in accordance to amount of capital invested. Table 8 and Figure 7 show the analysis of capital investment. Most of these responses stated that the capital invested ranges between one hundred thousand and five hundred thousand and this is according to 63 (42.86%) of the respondents, while 55 of the respondents which was

represented by 37.41% had capital investment which ranged from fifty thousand and one hundred thousand, 22 respondents (14.97%) had a capital investment of less than fifty thousand. A small number of respondents had a capital investment of over five hundred thousand.

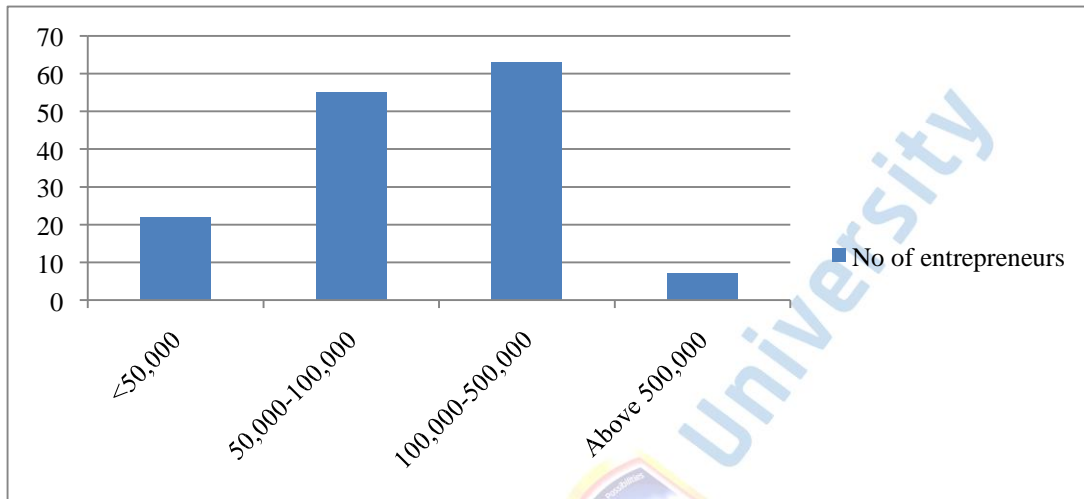


Figure 6: Capital Invested

Source: Research Data (2024)

The finding of this study shows that most entrepreneurs had a capital investment of between one hundred and five hundred thousand. Those who had taken Uwezo fund had invested in their businesses on top of what they had. Entrepreneurs who had capital investment of fifty thousand and one hundred thousand were first time borrowers of Uwezo fund who had started investing in their businesses. Those who stated to be having a capital expenditure of below fifty thousand were found to be entrepreneurs who run small businesses like barber shops and saloon. Most of them were not beneficiaries of Uwezo fund or they had ceased taking Uwezo loans. Few entrepreneurs stated that they had a capital investment of above one hundred thousand. These were found to be those businesses who deal in wholesale items. These individuals were found to have taken Uwezo fund for more than two times after repayment.

4.2.8 Rating of quality of services offered by Uwezo Fund Initiative

The study analyzed the quality of services offered by Uwezo fund initiative. Results for this analysis were as shown in Table 9.

Table 9: Quality of services offered by Uwezo Fund Initiative

Quality of service	Frequency(f)	Percentage (%)
Very high	22	14.97
High	17	11.56
Moderate	64	43.54
Low	19	12.93
very low	25	17.01
Total	147	100.00

Source: Research Data (2024)

From the analysis, it was found that 22(14.97%) of the respondents agreed that the services offered by Uwezo fund was very high; 17(11.56%) declared that quality of service was high; 64(43.54%) stated that services were moderate; 19(12.93%) of the respondents stated that the service were low while 25(17.01%) of the respondents stated that the quality of service by Uwezo fund initiative was very low. This means that Uwezo fund initiative need to improve on their services as majority state that their services are moderate and quite a number state that their services were very low.

Table 10: Summary of Respondent's Demographic Characteristics

Demographics		Frequency	Percent	Valid percent	Cumulative percent
Gender	Male	83	56.46	56.46	56.46
	Female	64	43.54	43.54	100.00
		147	100.00	100.00	
Age	15-19	2	1.36	1.36	1.36

	20-24	12	8.16	8.16	9.52
	25-30	47	31.97	31.97	41.50
	31-35	39	26.53	26.53	68.03
	36-40	18	12.24	12.24	80.27
	41-45	8	5.44	5.44	85.71
	46-50	12	8.16	8.16	93.88
	Above 50	9	6.12	6.12	100.00
		147	100.00	100.00	
Level of education	Primary	5	3.40	3.40	3.40
	Secondary	73	49.66	49.66	53.06
	Tertiary	57	38.78	38.78	91.84
	University	12	8.16	8.16	100.00
		147	100.00	100.00	
Type of enterprise	Retail	74	50.34	50.34	50.34
	Agribusiness	11	7.48	7.48	57.82
	Transport	22	14.97	14.97	72.79
	Wholesaler	8	5.44	5.44	78.23
	Saloon/Barber	13	8.84	8.84	87.07
	Cyber shop	19	12.93	12.93	100.00
		147	100.00	100.00	
Business income	0-20000	88	59.86	59.86	59.86
	21000-40000	49	33.33	33.33	93.20
	41000-60000	5	3.40	3.40	96.60
	61000-80000	1	0.68	0.68	97.28
	81000-100000	4	2.72	2.72	100.00
	Above 100000	0	0.00	0.00	100.00
		147	100.00	100.00	
Years of operation	Below 6 months	12	8.16	8.16	8.16
	6months-1 year	26	17.69	17.69	25.85
	1-3Years	22	14.97	14.97	40.82
	3-5 years	49	33.33	33.33	74.15

	Over 5 years	38	25.85	25.85	100.00
		147	100.00	100.00	
Capital invested	<50000	22	14.97	14.97	14.97
	50000-100000	55	37.41	37.41	52.38
	100000-500000	63	42.86	42.86	95.24
	Over 500000	7	4.76	4.76	100.00
		147	100.00	100.00	

Source: Research data (2024)

4.3 Access to credit affects Financial Performance of Small And Medium Size

Enterprises

The initial purpose of this study was to investigate how access to credit impacts the financial performance of small and medium-sized firms. The study put into perspective the responses of entrepreneurs in Molo Sub-County with regards to access to credit and how it impacts their financial performance. The first part analyses the respondents based on percentage of the level of agreement throughout the Likert scale on each parameter and the second part analyses responses from participants through mean and standard deviations. Table 11 shows the summary of access to Uwezo fund on financial performance of SMEs.

Table 11: Percentage of Access To Credit Affects Financial Performance of SME

Statements	SA	%	A	%	NS	%	D	%	SD	%
Interest charged affects access to credit by SMEs	76	51.70	38	25.85	4	2.72	25	17.01	4	2.72
Grace period for repayment is favourable for SMES	63	42.86	31	21.09	33	22.45	3	2.04	17	11.56
Adequacy of funds affects access to credit by SMEs	43	29.25	58	39.46	12	8.16	28	19.05	6	4.08
Collateral requirements affects access to credit	57	38.78	22	14.97	36	24.49	29	19.73	3	2.04
Credit officers are trained to handle Uwezo fund borrowers	28	19.05	39	26.53	64	43.54	0	0.00	16	10.88
Uwezo Fund Committee seek personal information before awarding loan	2	1.36	23	15.65	75	51.02	44	29.93	3	2.04
The loan amount given is adequate for the SMEs	9	6.12	56	38.10	18	12.24	27	18.37	37	25.17
Access to financing depends on the sort of organization.	0	0.00	31	21.09	42	28.57	53	36.05	21	14.29
Credit scores have effect on access to credit by SMEs	0	0.00	0	0.00	94	63.95	37	25.17	16	10.88

Uwezo fund committee monitor performance of businesses before awarding loan	17	11.56	18	12.24	13	8.84	59	40.14	40	27.21
Uwezo Fund credit officers seek information regarding workplace before awarding loan	0	0.00	11	7.48	71	48.30	13	8.84	52	35.37
Uwezo fund Initiative have computerized system to monitor performance of Uwezo Funds given	0	0.00	23	15.65	31	21.09	50	34.01	43	29.25

Source: Researcher (2024)

4.3.1 Descriptive Analysis

The initial response was to assess the adequacy of cash. According to the study, the majority of respondents agreed that resource adequacy has an impact on credit access. This was supported by 39.46% of respondents. 29.25% strongly agree that fund adequacy has an impact on credit access. 19.05% of respondents disagreed that sufficiency of cash affects access to credit. 4.08% of respondents strongly disagree that adequacy of cash influences access to credit. However, 8.16% of respondents were unsure whether sufficient funds affect access to credit. As a result, the availability of finances was viewed as the most significant factor in obtaining credit.

When asked if collateral requirements affect access to credit, 38.78% strongly agreed. 24.29% of respondents were unsure about the impact of collateral requirements on credit availability. 19.73% of respondents disagreed with the statement that collateral requirements limit lending access. 14.97% of respondents agreed that collateral requirements affect lending availability. A tiny minority of respondents strongly disputed that collateral requirements affect lending availability. This was endorsed by 3% of respondents. Thus, collateral requirement is viewed as a critical factor in obtaining loans.

On the premise that a grace period for loan repayment affects access to credit, 42.86% strongly agree. 21.09% of respondents believe that the grace period for loan repayment affects access to credit. 22.45% of respondents were unsure whether the grace period for loan repayment influences access to credit. 2.04% of respondents disagreed that the grace period for loan repayment affects access to credit.

However, 11.56% of respondents strongly disagreed that the grace period for loan repayment influences credit availability.

On whether Uwezo fund credit officers seek information regarding the workplace before awarding loan, 48.30% were not sure; those who agreed were 7.48%; those who disagreed were 8.84%.; those who strongly disagree were 35.37% and none of the respondents was in strong agreement.

On the proposition on whether loan amount is adequate for SMEs, 6.12% of the respondents strongly agree that loan amount is adequate for SMEs, 38.10% of the respondents agree that loan amount is adequate for SMEs, 12.24% of respondents are not sure whether loan amount is adequate for SMEs, 18.37% of the respondents do not agree that loan amount is adequate for SMEs. However, 25.17% of respondents strongly disagree that loan amount is adequate for SMEs. This shows that the loan amount given by Uwezo fund is adequate for SMEs.

On the statement that Uwezo fund committee seeks personal information before awarding the loan, 1.36% of the respondents strongly agree. 15.65% of the respondents were in agreement that Uwezo fund committee seeks personal information before awarding the loan; 51.02% of the respondents were not sure whether Uwezo fund committee seeks personal information before awarding the loan; 29.93% of the respondents did not agree

that Uwezo fund committee seeks personal information before awarding the loan. 2.04 % of the respondents however strongly disagree that Uwezo fund committee seeks personal information before awarding the loan. This finding shows that majority of respondents were not sure whether the officials seek personal information before awarding the loan to beneficiaries.

The question of whether access to financing is dependent on the sort of firm was also investigated. A total of 21.09% of respondents believed that access to credit is determined by the type of organization. 28.57% of respondents were unsure whether access to credit is dependent on the type of organization. 36.05% of respondents disagreed that access to credit was determined by the type of enterprise. However, 14.29% of respondents strongly disagreed that access to credit was determined by the sort of firm, whilst none strongly agreed.

The proposition that interest rate charged affects access to credit was also measured. Majority of respondents strongly agree that interest rate charged affects access to credit. This was represented by 51.7% of the respondents. 28.45% of the respondents agreed that interest rate charged affects access to credit. Further, 2.72% of the respondents were not sure whether interest rate charged affects access to credit. 17.01% of the respondents did not agree that interest rate charged affects access to credit. Moreover, 2.72% of the respondents strongly disagree that interest rate charged affects access to credit. Generally, this finding shows that majority agrees that interest charged have a positive effect on access to credit by SMEs.

The study further examined the statement that credit scores have effect on access to credit. Measurement was done and it was found that majority, represented by 63.95% of respondents were not sure whether credit scores have effect on access to credit; 25.17%

did not agree that credit scores have effect on access to credit; 10.88% strongly disagree that credit scores have effect on access to credit. None of the respondent strongly agreed nor agreed that credit scores have effect on access to credit. This finding concluded that credit score was not known by many of the entrepreneurs as one of the factor that was considered before being awarded loan.

In regards to proposition that Uwezo fund committee monitor business performance before awarding loan, the participants who strongly agreed was found to be 11.56% of the respondents. 12.24% of the respondents agreed that Uwezo fund committee monitor business performance before awarding loan. 8.84% of the respondents were not sure whether Uwezo fund committee monitor business performance before awarding loan. 40.14% of the respondents did not agree that Uwezo fund committee monitor business performance before awarding loan while 27.21% of the respondents strongly disagree that Uwezo fund committee monitor business performance before awarding loan. This finding implied that majority of entrepreneurs do not agree that Uwezo fund committee monitor business performance.

The statement credit officers are trained to handle Uwezo fund borrowers was tested. 19.05% of participants strongly agree that credit officers are trained to handle Uwezo fund borrowers. 26.53% of the respondents agreed that credit officers are trained to handle Uwezo fund borrowers. 43.54% of respondents were not sure whether credit officers are trained to handle Uwezo fund borrowers while 10.88% of the respondents strongly disagreed that credit officers are trained to handle Uwezo fund borrowers. None of the respondent disagreed that credit officers are trained to handle Uwezo fund borrowers. It was found that most of entrepreneurs have no any information whether credit officers are trained to handle Uwezo fund borrowers.

On whether Uwezo fund initiative having computerized system to monitor performance of Uwezo funds given, 15.65% of the respondents were in agreement. 21.09% of the respondents were not sure whether credit officers are trained to handle Uwezo fund borrowers. 34.01% of the respondents do not agree that credit officers are trained to handle Uwezo fund borrowers. 29.25% of the respondents strongly disagree that credit officers are trained to handle Uwezo fund borrowers. There were no respondents who strongly agreed that credit officers are trained to handle Uwezo fund borrowers.

Table 12: Access to Uwezo fund on financial performance of SMEs

Statements	Mean	Standard deviation
Adequacy of funds affects access to credit by SMEs	3.707	1.19
Collateral requirements affects access to credit	3.687	1.23
Grace period for repayment is favourable for SMES	3.816	1.32
Uwezo Fund credit officers seek information regarding workplace before awarding loan	2.279	1.03
The loan amount given is adequate for the SMEs	2.816	1.34
Uwezo Fund Committee seek personal information before awarding loan	2.844	0.75
Access to financing depends on the sort of organization.	2.565	0.98
Interest charged affects access to credit by SMEs	4.068	1.21
Credit scores affect SMEs' access to credit.	2.531	0.68
Uwezo fund committee monitor performance of businesses before awarding loan	2.408	1.31

Credit officers are trained to handle Uwezo fund borrowers	3.429	1.13
Uwezo fund Initiative have computerized system to monitor performance of Uwezo Funds given	2.231	1.04
Overall	3.03	1.1

Source: Research data (2024)

4.3.2 Inferential Analysis

The findings from **Table 12** above show responses to how access to credit had effects on financial performance of SMES. By using means and standard deviations values obtained from responses to various parameters of access to credit, this study sought to understand how these factors affected financial performance of SMES. High means indicate that the SMES were in agreement with the statement. Whereas low standard deviations values indicate that the responses were consistent with minimal contradictions among responses. High standard deviations indicate areas that require more improvements. Using the means and standard deviations together makes it easy to evaluate the impact of specific security features on overall financial performance. This showed areas where things were going well and those that needed improvement.

Credit access responses were recorded using a Likert scale ranging from 1 to 5, with 1 indicating strongly disagree, 2 disagree, 3 not sure, 4 agree, and 5 strongly agree. The medium score on this Likert scale was 3, indicating that one was unsure. Points more than three showed that respondents agreed with the claims, and points less than three indicated

that respondents disagreed. These scores were used to range whether access to credit have an effect on SMEs' access to finance.

The averages ranged from 4.068 to 2.321. The results of this effect are reported in Table 12. As previously stated, respondents who responded that sufficiency of finances impacted access to credit had a mean and standard deviation of 3.707 and 1.19, respectively. The mean and standard deviation for collateral requirements for loan repayments were 3.687 and 1.23, respectively, while the average and standard deviation for grace periods were 3.816 and 1.32. The average and standard deviation for whether Uwezo Fund sought information about the workplace before providing a loan were 2.279 and 1.03, respectively. The scores for adequacy of loan amount supplied were 2.816 and 1.34, respectively.

The criteria for whether the Uwezo fund committee sought personal information before giving the loan were 2.844 and 0.75, respectively. The parameters determining whether access to credit relies on the type of firm were 2.565 and 0.98. The interest rate ratings were 4.068 and 1.21. The credit score effects on Uwezo fund loans had a mean of 2.531 and a standard deviation of 0.68. The average and standard deviation for the Uwezo fund committee seeking information on the financial performance of enterprises were 2.408 and 1.31, respectively. The mean and standard deviation for credit officers trained to manage Uwezo fund borrowers were 3.429 and 1.13, respectively. The mean was 2.231 and the standard deviation was 1.04 among individuals who stated that Uwezo fund officers use a computerized method to monitor performance.

The overall mean was 3.03, while the standard deviation is 1.1. The highly scored statements were: interest charged impacts access to credit; grace period for repayment is favorable for SMEs; adequacy of funds affects access to credit by SMEs; collateral

requirements affect access to credit; credit officers are equipped to deal with Uwezo fund borrowers. On the other hand, the lowest claims were: Uwezo fund credit officers seek information regarding workplace before awarding loan; the loan amount given was adequate for SMEs; access to credit depends on the type of enterprise; credit scores have an effect on access to credit; Uwezo fund committee monitors business performance before awarding loan; Uwezo fund committee seeks personal information before awarding loan; and Uwezo fund initiative has a computerized system.

The findings are congruent with study conducted in Vietnam by Thanh (2019). The findings show that credit considerably increases business performance in terms of real gross profit and revenue. The data indicate that credit is an important component in performance improvement. However, SMEs in Vietnam continue to face obstacles when borrowing money from official organizations. As a result, government policies and programs, as well as financial institutions, should help SMEs acquire access to official credit.

4.4 Entrepreneurial Training and its Effect on Financial Performance of SMEs

The second objective was to assess how entrepreneurial training affects financial performance of small and medium size Enterprises in Molo Sub-County, Nakuru County. Dimensions of entrepreneurial trainings were measured and the responses were analyzed in respect to entrepreneurial trainings. The following parameters were measured and findings analyzed through percentage, mean and standard deviation. The analysis in Table 13 shows the percentage of respondents under each parameter through Likert scale.

Table 13: Entrepreneurial training effects on Financial Performance

Statements	SA	%	A	%	NS	%	D	%	SD	%
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SMEs in Molo Sub-County have adequate trainings on financial performance	5	3.40	44	29.93	32	21.77	30	20.41	36	24.49
Trainings have enabled SMEs to prepare financial records	49	33.33	58	39.46	29	19.73	11	7.48	0	0.00
Skills gained have assisted in evaluating their businesses	73	49.66	34	23.13	6	4.08	31	21.09	3	2.04
Entrepreneurial trainings have enabled SMEs to retain profits	69	46.94	57	38.78	9	6.12	12	8.16	0	0.00
Skills acquired has assisted to have good customer relations	50	34.01	48	32.65	13	8.84	28	19.05	8	5.44
Trainings has assisted SMEs on management practice of loan repayments	48	32.65	35	23.81	26	17.69	33	22.45	5	3.40

Source: Researcher (2024)

4.4.1 Descriptive Analysis

The proposition of whether SMEs have adequate trainings was measured. 24.49% of the respondents strongly agree that SMEs had adequate trainings on financial performance.

29.93% of the respondents agreed that SMEs had adequate trainings on financial performance.

Further, 21.77% stated that they were not sure whether SMEs had adequate trainings on financial performance. 20.41% of the respondents did not agree that SMEs had adequate trainings on financial performance while 3.4% of the respondents stated that they strongly

disagree that SMEs had adequate trainings on financial performance. It is apparent that, majority agree that SMEs had adequate trainings on the effective financial performance of their enterprises.

Under the proposition that training have enabled SMEs to prepare financial records, 33.33% of respondents strongly agree that trainings have enabled SMEs to prepare financial records. 39.46% of the respondents agree that trainings have enabled SMEs to prepare financial records. Additionally, 19.73% of the respondents are not sure whether trainings have enabled SMEs to prepare financial records and 7.48% of respondents do not agree trainings have enabled SMEs to prepare financial records. There were no respondents who strongly disagreed trainings have enabled SMEs to prepare financial records. From these analysis, it is clear that majority of respondents agree that trainings have enabled SMEs to prepare financial records.

The statement as to whether skills gained had assisted in evaluating business was measured. It was found that, majority of the respondents strongly agree that skills gained had assisted in evaluating business. This was in respect to 49.66% of the respondents.

23.13% of the respondents agree that skills gained had assisted in evaluating business. 4.08% of the respondents were not sure whether skills gained had assisted in evaluating business. 21.09% of the respondents do not agree with the statement that skills gained had assisted in evaluating business while 2.04% of the respondents strongly disagreed that skills gained had assisted in evaluating business.

On proposition that entrepreneurial trainings have enabled retention of profits, it was found that 46.94% of the participants strongly agree that entrepreneurial trainings have enabled retention of profits; 38.78% agree that entrepreneurial trainings have enabled retention of profits; 6.12% were not sure whether entrepreneurial trainings have enabled retention of profits; 8.16% do not agree that entrepreneurial trainings have enabled retention of profits

while none of the respondents strongly disagreed that entrepreneurial trainings have enabled retention of profits.

The statement that skills acquired have assisted in good customer relations was also tested. Majority of the respondents strongly agree that skills acquired have assisted in good customer relations. This was in respect to 34.01% of the respondents. 32.65% of the respondents agreed that skills acquired have assisted in good customer relations. 8.84% of respondents were not sure whether skills acquired has assisted in good customer relations, while 19.05% of the respondents do not agree with the proposition

that skill acquired has assisted in good customer relations. However, 5.44% of the respondents strongly disagreed that skill acquired has assisted in good customer relations.

On whether training assisted on management practice of loan repayments, 32.65% of respondents strongly agree with it; 23.81% of respondents agreed that training assisted on management practice of loan repayments; 17.69% of respondents were not sure whether training assisted on management practice of loan repayments; 22.45% of respondents disagreed that training assisted on management practice of loan repayments while 3.4% of respondents strongly disagreed that training assisted on management practice of loan repayments.

Table 14: Effects of Entrepreneurial Training on Financial Performance

Statements	Mean	Standard deviation
SMEs in Molo Sub-County have adequate trainings on financial performance	3.52	1.16
Trainings have enabled SMEs to prepare financial records	3.99	0.91
Skills gained have assisted in evaluating their businesses	3.97	1.25

Entrepreneurial trainings have enabled SMEs to retain profits	4.24	0.89
Skills acquired has assisted to have good customer relations	3.71	1.26
Trainings has assisted SMEs on management practice of loan repayments	3.60	1.24
Overall mean and standard deviation	3.84	1.12

Source: Researcher (2024)

4.4.2 Inferential Analysis

The inferential scrutiny focused on mean and standard deviation values recorded on **Table 14** above that were obtained so as to assess the association and general impact of the entrepreneurial training and financial performance. High means indicate that the customers were in agreement with the statement. The low standard deviations values indicate that the responses were consistent with minimal contradictions between respondents. High standard deviations indicate area that require more improvements

Results in **Table 14** specifies the means and standard deviations against the dimensions. The overall mean and standard deviations were 3.84 and 1.12 in that order . The high mean and low standard deviation shows that respondents were in general agreement that entrepreneurial training had effects on financial performance. In regard to adequacy of trainings on financial performance; the factors were 3.52 and 1.16 for mean and standard deviation respectively. In regard to enablement of trainings on preparation of financial records, the average and standard deviation were 3.99 and 0.91. In regard to skills gained in evaluation of business, the ratings were 3.97 and 1.25 for mean and standard deviations respectively. Enablement of entrepreneurial trainings on profit retention had mean of 4.24 and standard deviation of 0.89. In relation to skills acquired on good customer relation, the points were 3.71 and 1.26 for mean and standard deviation respectively. Additionally, for

training on management practice of loan repayments, the ratings were 3.60 and 1.24 for mean and standard deviation respectively.

Respondents received high marks in the following statements; entrepreneurial trainings have enabled SMEs to retain profits; trainings have enabled SMEs to prepare financial records; skills gained have assisted in evaluating their businesses. On the other hand, the following received low rating; skills acquired have assisted to have good customer relations; training has assisted SMEs on management practices of loan repayments; SMEs have adequate trainings on financial performance.

Majority of the respondents scored above 3 which means entrepreneurial training had positive impact on financial performance of the enterprises. These findings are consistent with the findings of the study conducted by Njoroge and Gathungu (2013) on the effects of entrepreneurial education and training on the development of Small and Medium size enterprises in Githunguri District, Kenya, where it was established that even though the entrepreneur may be reporting an increase in sales and profits, and may appear to be registering growth, a lack of training on financial, strategic management, and marketing meant that SME would not have good financial performance.

4.5 Loan Repayments on Financial Performance

The third goal was to determine the impact of loan repayments on the financial performance of small and medium-sized enterprises in Molo Sub-County, Nakuru County. To achieve this purpose, sampled SMEs were given questionnaires containing ten assertions and asked to rate their level of agreement with each statement. The responses were summarized in Table 15.

Table 15: Effects of loan repayments on financial performance of SMEs

Statements	The	SA	%	A	%	NS	%	D	%	SD	%
installments payable affects the financial performance of SMEs		58	39.46	34	23.13	4	2.72	36	24.49	15	10.20
Loan repayment period affects financial performance of SMEs		49	33.33	57	38.78	12	8.16	17	11.56	12	8.16
The interest rates for Uwezo fund is favourable to SMEs		72	48.98	54	36.73	5	3.40	7	4.76	9	6.12
Total sales and business profitabilty affects loan repayments		63	42.86	46	31.29	14	9.52	20	13.61	4	2.72
Duration of default in case of Uwezo fund is similar to other forms of loans		52	35.37	33	22.45	34	23.13	12	8.16	16	10.88
Total loan amount have effects on loan repayments by SMEs		67	45.58	38	25.85	11	7.48	9	6.12	22	14.97
An evaluation report is generated by the Uwezo fund in respect to performance		59	40.14	36	24.49	18	12.24	23	15.65	11	7.48

Uwezo fund initiative have significant bad	8	5.44	29	19.73	38	25.85	59	40.14	13	8.84
debts occasioned by borrowers										
Timeliness of loan release has	6	4.08	13	8.84	44	29.93	65	44.22	19	12.93
effect on loan repayments										
Uwezo management monitor how	53	36.05	31	21.09	12	8.16	21	14.29	30	20.41
Uwezo fund are repaid by										

Overall mean and standard deviation

borrowers

Source: Researcher (2024)

4.5.1 Descriptive Analysis

The Likert scale utilized varied from 1 to 5, with 1 indicating strongly disagree, 2 disagree, 3 not sure, 4 agree, and 5 strongly agree. The midpoint of this Likert scale was 3 which indicated that one was not sure. Points which were above 3 indicated that respondents were in agreement with the statements while those who were below indicated that respondents disagreed with the statement.

On the proposition that the installments payable affects the financial performance of SMEs, 39.46% of the respondents strongly agreed with the statement, 23.13% agreed, 2.72% were not sure, 24.49% disagreed with the statement while 10.20% strongly disagreed with the statement. This shows that majority of the SMEs agree that the installments payable had a significant effects on the financial performance of SMEs.

When asked whether loan repayment period affects financial performance of SMEs, 33.33% of the respondents strongly agreed, 38.78% agreed, 8.16% were not sure, 11.56% were not in agreement while 8.16% strongly agreed with the statement.

When asked whether the interest rates for uwezo fund was favourable, 48.98% strongly agreed, 36.73% of the respondents agreed, 3.40% were not sure, 4.76% disagreed while 6.12% of the respondents strongly disagreed with the proposition. This shows that majority of the respondents were in agreement with the statement that interest rates for uwezo fund was favourable.

When it comes to duration of default in case of Uwezo Fund whether similar to other forms of loans 35.37% of the respondents strongly agree, 27.45 % of the respondents were in agreement, 23.13% said they were not sure, 8.16% did not agree while 10.88% of the respondents strongly disagreed with the statement. From the responses, it was apparent that, majority of the respondents believed that duration of loan default was just same as those of other loan from other institutions.

When it comes to whether total loan amount taken affects loan repayments, 45.58% of the respondents were strongly in agreement, 25.85% agreed, 7.48% were not sure, 6.12% disagreed with the statement while 14.97% of the respondents strongly disagreed with the statement.

When asked whether Uwezo fund had significant bad debts occasioned by borrowers, only 5.44% of the respondents strongly agreed with the statement, 19.73% agreed with the statement, 25.85% of the respondents were not sure, 40.14% of the respondents indicated that they disagreed with the statement while 8.84% of the respondents strongly disagreed with the statement.

Table 16: Effects of Loan Repayments on Financial Performance

	Mean	Standard deviation
The installments payable affects the financial performance of SMEs	3.57	1.46

Loan repayment period affects financial performance of SMEs	3.78	1.25
The interest rates for Uwezo fund is favourable to SMEs	4.18	1.11
Total sales and business profitability affects loan repayments	3.98	1.15
The duration of default in the case of Uwezo fund is comparable to other types of loans.	3.63	1.33
Total loan amount have effects on loan repayments by SMEs	3.81	1.44
The Uwezo fund generates an evaluation report for performance.	3.74	1.33
Uwezo fund initiative have significant bad debts occasioned by borrowers	2.73	1.05
Timeliness of loan release has effect on loan repayments	2.47	0.96
Uwezo management monitor how Uwezo fund are repaid by borrowers	3.38	1.57
Overall mean and standard deviation	3.53	1.26

Source: Researcher (2024)

4.5.2 Inferential Analysis

From Table 16, the mean scores and standard deviations range from 4.18 and 2.47. The highly rated statements were; the interest rate for Uwezo fund was favourable to SMEs which had mean and standard deviation of 4.18 and 1.11 respectively ; total sales and business profitability affects loan repayments with mean and standard deviation of 3.98 and 1.15 respectively; total loan amount have effects on loan repayments by SMEs with mean and standard deviation of 3.81 and 1.44 respectively; loan repayment period affects financial performance by SMEs with mean and standard deviation of 3.78 and 1.25 respectively; an evaluation report was generated by the Uwezo fund in respect to performance with mean and standard deviation 3.74 and 1.33 respectively; duration of default in case of Uwezo fund was similar to other forms of loans with mean and standard deviation of 3.63 and 1.33 respectively; the installments payable affect the financial performance of SMEs with mean and standard deviation of 3.57 and 1.46 respectively;

Uwezo management monitor how Uwezo fund are repaid by borrowers with mean and standard deviation of 3.38 and 1.05 respectively.

On the other hand, the lowest rated statements were; Uwezo fund initiative has significant bad debts occasioned by borrowers which had mean and standard deviation of 2.73 and 1.05 respectively; timeliness of loan release has effect on loan repayment with a mean and standard deviation of 2.47 and 0.96 respectively.

As can be seen from Table 16, most of the SMEs are in agreement that loan repayment has a positive effect on financial performance of their enterprises. This can be seen from the fact that majority of the responses scored points above 3. This study is in agreement with a study by Muhammad, I.B., Bambale, A.J.A., Ibrahim, M.A., and Sulaiman, S.A. (2019) conducted research on loan characteristics, loan repayment, and the performance of Small and Medium Enterprises in Kano Metropolitan, and discovered that loan size and loan tenure had a positive and significant association with loan payback.

4.6 Effects of financial planning on financial performance of SMEs

The fourth purpose was to investigate the influence of financial planning on the financial performance of small and medium-sized businesses in Molo Sub-County. The financial planning variables were scored using a Likert scale ranging from 1 to 5, with 1 indicating strongly disagree, 2 disagree, 3 not sure, 4 agree, and 5 indicating highly agree. The midpoint of this scale was 3, indicating that the responder was unsure. Table 17 presents a summary analysis of these replies in terms of percentages.

Table 17: Effects of financial planning on financial performance of SMEs

<u>Statements</u>	<u>SA</u>	<u>%</u>	<u>A</u>	<u>%</u>	<u>NS</u>	<u>%</u>	<u>D</u>	<u>%</u>	<u>SD</u>	<u>%</u>
Financial planning has enabled SMEs to identify new investments	38	25.85	49	33.33	12	8.16	35	23.81	13	8.84
Financial planning has enabled SMEs to gain new skills in decision making	56	38.10	47	31.97	7	4.76	32	21.77	5	3.40
Financial planning has enabled SMEs to properly keep records	47	31.97	69	46.94	3	2.04	19	12.93	9	6.12
Financial planning has assisted SMEs in managing business risks	13	8.84	27	18.37	38	25.85	56	38.10	13	8.84
Financial planning has enabled SMEs to manage taxes	47	31.97	54	36.73	3	2.04	34	23.13	9	6.12
Financial planning has enabled SMEs to increase profits	73	49.66	43	29.25	7	4.76	24	16.33	0	0.00
SMEs have reduced debts and managed them through financial planning	12	8.16	38	25.85	23	15.65	56	38.10	18	12.24

4.6.1 Descriptive Analysis

Table 17 above shows

respondents who agreed or disagreed with various metric statements. The descriptive analysis of the influence of financial planning on the financial performance of SMES. When it came to the statement that financial planning has enabled SMEs to identify new investments, 25.85% of respondents strongly agreed, and 33.33% agreed. This indicated that most entrepreneurs view financial planning as an important factor that influence

financial performance. In the meantime, 8.16% of the respondents were not sure and 23.81% disagreed and 8.34% strongly disagreed. This suggested that although a greater part of entrepreneurs are contended with fact that financial planning has effect on financial performance, there are some who are unsure or are not satisfied.

When asked if financial planning has enabled SMEs to gain new skills in decision making, 38.10 % of respondents strongly agreed, and 31.97% agreed. Nevertheless, 4.76% were not sure, and a total of 21.77% disagreed while a small number of 3.40% strongly disagreed. This suggests that there are many entrepreneurs who believed that financial planning has enabled SMEs to gain new skills in decision making.

When it comes to the statement of the financial planning has enabled SMEs to properly keep records, 31.97% of respondents strongly agreed, while 46.94% agreed. This demonstrated there was a fair amount of satisfaction that financial planning has enabled SMEs to properly keep records. However, 2.04% were unsure, and 12.93% disagreed while 6.12% strongly disagreed with the statement that financial planning has enabled SMEs to properly keep records. This indicates that there is still a large number of entrepreneurs who believed that financial planning has enabled SMEs to properly keep records.

When it comes to the statement that financial planning has enabled SMEs in managing business risks, 8.84% of respondents strongly agreed, while 18.57% agreed. This demonstrated there was a fair amount of satisfaction that financial planning has enabled SMEs to manage business risks. However, 25.85% were unsure, and 38.10% disagreed while 8.84% strongly disagreed with the statement that financial planning has enabled SMEs to manage business risks. This indicates that there is still a large number of entrepreneurs who believed that financial planning has enabled SMEs to manage business risks.

When it comes to the statement that financial planning has enabled SMEs to increase profits, 49.66% of respondents strongly agreed, while 29.25% agreed. This demonstrated there was a higher amount of satisfaction that financial planning has enabled SMEs to increase profits. However, 4.76 % were unsure, and 16.33% disagreed while 0.00% strongly disagreed with the statement that financial planning has enabled SMEs to manage business risks. This indicates that there is still a large number of entrepreneurs who believed that financial planning has enabled SMEs to increase profits.

On the statement that financial planning has enabled SMEs to reduce debts and manage them, 8.16% of respondents strongly agreed, while 25.85% agreed. This demonstrated there was a fair amount of satisfaction that financial planning has enabled SMEs to manage business risks. However, 15.65% were unsure, and 38.10% disagreed while 12.24% strongly disagreed with the statement that financial planning has enabled SMEs to reduce debts and manage them. This indicates that there is still a large number of entrepreneurs who believed that financial planning has enabled SMEs to reduce debts and manage them.

Table 18: Effects of financial planning on financial performance of SMEs

Statement	Mean	Standard deviation
Financial planning has allowed SMEs to discover new investments.	3.44	1.33
Financial planning has enabled SMEs to learn new abilities in decision-making.	3.80	1.25
Financial planning has helped SMEs to properly keep records	3.86	1.18
Financial planning has assisted SMEs in managing business risks	2.80	1.11

Financial planning has enabled SMEs to manage taxes	3.65	1.30
Financial planning has enabled businesses to increase profits	4.12	1.09
SMEs have reduced debts and managed them through financial planning	2.80	1.19
Overall	3.49	1.21

Source: Research data (2024)

4.6.2 Inferential Analysis

The responses in Table 18 show that the mean scores ranged from 4.12 and 2.80. Statements which were highly ranked were; financial planning has enabled SMEs to identify new investments which had a mean of 3.44; financial planning has enabled SMEs to gain new skills in decision making had a mean of 3.80; financial planning has enabled SMEs to properly keep records had a mean of 3.86; financial planning has enabled SMEs to manage taxes had a mean of 3.65 and financial planning has enabled SMEs to increase profits had a mean of 4.12.

The lowest ranked statements were; financial planning has enabled SMEs in managing business risks had a mean of 2.80; SMEs have reduced debts and managed them through financial planning had a mean 2.80.

This analysis shows that majority of respondents were in agreement with the statement that financial planning had effects on financial performance of enterprises. The current findings agree with a study by Musando, J.A. (2013), which found that the majority of SMEs used financial planning techniques like financial analysis, activity-based budgeting, and periodic budget estimations. Good capital management, risk management, operational efficiency, and increased ability to seize opportunities were all positively impacted by these financial planning techniques for SMEs. The study also

discovered that financial planning had decreased losses due to human error, made credit more accessible, lessened financial crises, provided collateral for loan approval, and served as a framework to direct business operations. There is a positive but negligible correlation between risk management and the financial performance of SMEs in Ekiti State according to a study by Ariyo (2020). Additionally, the study found that cash budgeting and cash control have a significant impact on the financial performance of SMEs in Ekiti State.

4.7 Performance of Small and Medium Size Enterprises

The survey also examined the performance of small and medium-sized businesses by evaluating indicators on a Likert scale ranging from 1 to 5. Those who strongly agree were represented by scale of 5, agree 4, not sure 3, disagree 2 and strongly disagree 1.

The midpoint of this scale was 3 which show that respondent was not sure. The points which were below 3 shows respondents do not agree with the statement while points above 3 shows respondents were in agreement with the statements. The analysis looked at the percentage, means and standard deviations of the statements ranked on the Likert scale. Table 18 represents this analysis.

Table 19: Performance of Small and Medium Size Enterprises

Statements	Mean	Standard Deviation
The Uwezo Fund Initiative has helped my firm increase revenues.	3.41	1.51
Uwezo fund initiative has helped me to identify new product development	2.62	1.22
Uwezo fund initiative has helped me to retain my customers	3.21	1.47
Uwezo fund initiative has helped me to increase profits	3.73	1.33

Getting Uwezo fund is a long and time consuming process for SMEs	3.88	1.27
Growth of loan size after repayment has enhanced growth of my business	4.27	0.92
Uwezo fund has enabled businesses to remain competitive and thrive in harsh business conditions	3.61	1.40
Overall mean and standard deviation	3.53	1.30

Source: Research data (2024)

Table 18 shows responses from participants. As can be seen, the mean scores and standard deviations of performance of small and medium size enterprises ranged from 4.27 to 2.62. From the responses, the highly rated statements were; Uwezo fund initiative has helped my business to increase sales; Uwezo fund initiative has helped me to increase profits; Uwezo fund initiative has helped me to retain my customers; Getting Uwezo fund is an long and time-consuming process for SMEs; Growth of loan size after repayment has enhanced growth of my business; Uwezo fund has enabled businesses to remain competitive and thrive in harsh business conditions. The lowest rated response was; Uwezo fund initiative has helped me to identify new product development. This demonstrates that the majority of respondents feel that the Uwezo Fund has a significant impact on the performance of small and medium-sized firms.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This chapter summarizes the research findings, draws conclusions, and makes recommendations in accordance with the study's objectives. It also discusses the inferences derived from the aforementioned observations. This chapter also includes a list of recommendations based on the findings of the investigation. The final section identifies future research areas based on the findings of this study.

5.2 Summary of Research Findings

In accordance with all the specific objectives of the project, this section summarizes all key findings of the study for each variable that was investigated.

The purpose of this study was to analyze Uwezo fund Initiative on financial performance of small and medium size enterprises in Molo Sub-County, Kenya. To achieve this objective, the study determined the relationship between Uwezo fund initiative and financial performance of small and medium size enterprises. 147 entrepreneurs participated in this research and data was analyzed based on their responses. Descriptive statistics was used to analyze data based on percentage, mean and standard deviations.

5.2.1 Access to Credit

The study found that although some entrepreneurs received Uwezo fund, access to credit was cited as a challenge for financial performance of SMEs. The study found the interest charged by creditors as one the leading factor in accessing credit by SMEs. Further, it was found that Uwezo fund still had moderate quality of services. This is supported by 43.54% of the respondents who stated that the services offered by Uwezo fund were moderate. The study found the interest rate of Uwezo fund to be reasonable hence most SMEs gave credit to it.

5.2.2 Financial Planning

Financial planning was found to be key determinant of financial performance of enterprises. Financial planning factors that were found to be having greater influence include factors that, it has enabled businesses to increase profits, helped in gaining new skills in decision making and also it has helped in properly keep records For instance, 49.66% of the respondents strongly agreed that financial planning has effects on financial performance. Another 38.10% strongly agreed that financial planning has enabled entrepreneurs to gain new skills in decision making while 46.94% agreed that financial planning has enabled them to properly keep records.

There were mixed reactions in regards to identifying new investments, managing taxes and reduction of debts and managing them. In this, only 8.34% of the respondents strongly agreed that financial planning has enabled them to manage business risks. This findings shows that, although entrepreneurial believe that financial planning determines financial performance, some still believe that there are other financial planning factors which still don't affect financial performance of SMEs.

5.2.3 Loan Repayments

Another variable that was measured was loan repayment. This study also aimed at assessing effects of loan repayments on financial performance of SMEs. It focused on instalment amount, interest rates and loan repayment period. The findings revealed that 42.86% of the respondents strongly agreed that total sales and profitability had effects on loan repayments. The research found that what entrepreneurs were able to make as total sales had significant influence on the loan repayments. In the same light, the total loan amount taken was found to be having a significant effect on loan repayment. This was supported by 45.58% of the respondents. The study found out that, the amount as far as Uwezo fund issued loan, the amount which entrepreneurs had taken as loan affected their

financial performance as this affected the flow of funds in their businesses. The study found that loan repayment had significant relationship with financial performance of small and medium size enterprises.

5.2.4 Entrepreneurial Training

This study also aimed at assessing effects of entrepreneurial trainings on financial performance of SMES. It focused on frequency of training, usefulness of training, and skills imparted. The findings revealed that 49.66% were in agreement and 38.78% were in strongly agreement that the skills gained have assisted them in evaluating their businesses. This showed widespread satisfaction. The statement that entrepreneurial trainings have enabled SMEs to retain profits also had strong support, with 46.94% strongly agreeing. Nonetheless, 24.49% of those who participated were in disagreement or strongly disagreed which indicate some concerns.

The findings from this statement showed that, SMEs in Molo Sub-County were still not equipped with adequate trainings to run their businesses. Majority of the statements received low accreditation. This is apparent from the statement that SMEs in Molo SubCounty had adequate trainings on financial performance of which 24.49% of the respondents strongly disagreeing with it.

5.3 Conclusions

The study made several conclusions based on the results of the study. The study concludes that the process, methods and requirements for accessing credit is crucial on the financial performance of small and medium size enterprises. Uwezo Fund Initiative should sensitize the SMEs on ways, process and requirements for one to access these funds. The interest rate factor was also measured. The study concludes that Uwezo loan has very low interest rates as compared to other loans. This was seen as a crucial factor which entrepreneurs

consider when they want to acquire credit or loans. The grace period for loan repayment was favourable based on responses from respondents as they were given ample time before they start repaying loan. The study also concludes that financial planning is a crucial component for successful financial performance of SMEs.

Those who had good financial plans had succeeded in their businesses and were progressing on well. On loan repayment, the study concludes that loan amount, repayment period, and sales as well as interest rates affects financial performance of businesses. Uwezo fund initiative services were still low. The initiative should improve on their services majorly through trainings and enlighten the community of small and medium size enterprises on their products.

5.4 Recommendations

Given the study findings and conclusions, the study recommends Uwezo fund initiative to conduct trainings on SMEs before and after awarding the loan for prudent utilization and repayment for growth of these enterprises. The researcher also recommends the Uwezo Fund Initiative to sensitize the community through public participation on availability of Uwezo funds as majority do not know their existence or the process of acquiring the same. The researcher further recommends the SMEs to utilize Uwezo Fund in expansion or growth of their enterprises. There should be prudent use of these funds for the stipulated purposes. Additionally, the researcher recommends the government to increase loan amount awarded to SMEs through Uwezo fund to assist them to employ themselves as well as creating employment for others. This should be followed by minimization of requirements for getting the loan.

5.5 Suggestion for Further Studies

The research concentrated on Uwezo Fund effects on financial performance. Further studies can be done on other affirmative action funds which includes Youth Enterprise

Fund, Women Enterprise Fund and Biashara Fund Kenya as well as the current Hustler Fund. The study based its findings in Molo Sub-County. For comparison study, similar studies can be done in other Sub-Counties.

The research used four independent variables (access to credit, entrepreneurial training, financial planning and loan repayment) in accessing their effects on financial performance of SMEs. The effects of other non-financial factors on performance of SMEs were not addressed in this research. Therefore, future studies may be conducted taking into consideration these factors.



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APPENDICES

Appendix I: Questionnaire

The researcher is a Master of Business Administration student at Mount Kenya University conducting research on "Analysis of Uwezo Fund Initiative on Financial Performance of Micro, Small, and Medium Size Enterprises in Molo Sub-County, Kenya". This is to respectfully request that you tick or fill in the blank spaces with the most appropriate answer or response. The information you enter will be kept confidential and used solely for academic purposes. Answer the questions by ticking (√) in the provided box.

SECTION I

Part A: Business owners' profile

1. Gender Male Female

2. Age

15-19 () 36-40 () 20-25 () 41-45 () 26-30 () 46-50 ()

31-35 () Above 50 ()

3. Education Level

Primary ()

Secondary ()

Tertiary ()

University ()

4. What type of business enterprise do you operate?

Retail	
Agribusiness	
Transport	
Wholesaler	
Saloon/Barber shop	
Cyber shop	

Other Specify.....
.....
.....

5. Have you ever received Uwezo Fund? Yes () No () If yes, state the amount.....

6. What is the actual income level expected from your business per month?

- a) 0-20,000 []
- b) 21,000-40,000 []
- c) 41,000-60,000 []
- d) 61,000-80,000 []
- e) 81,000-100,000 []
- f) Above 100,000 []

7. Years in business operation

- g) Below 6 months []
- h) 6 months-1 years []
- i) 1 -3 years []
- j) 3 -5 years []
- k) Over 5 years []

8. Business category on capital invested

- a) < Ksh50, 000 []
- b) Between Ksh 50,000 & 100, 000 []
- c) Between Ksh. 100, 000 & 500,000 []
- d) Over Ksh. 500,000 []

9. How would you rate the quality of services offered by Uwezo Fund Initiative?

- a) Very high []
- b) High []
- c) Moderate []
- d) Low []
- e) Very low []

10. Have you ever received sensitization or training on Uwezo Fund Initiative program in your area? Yes [] No []

Section II

Please indicate your agreement with the assertions about the impact of the Uwezo Fund Initiative on the financial performance of small and medium-sized enterprises by ticking (√) the appropriate boxes. Rate your responses on a scale:

Strongly Agree (5), Agree (4), Not sure (3), Disagree (2), Strongly Disagree (1) Part B The impact of loan access on the financial performance of Micro, Small, and Medium Enterprises in Molo Sub-County, Kenya.

Statements	SA	A	NS	D	SD
	5	4	3	2	1
Adequacy of funds affects access to credit by SMEs					
Collateral requirements affects access to credit					
Grace period for repayment is favourable for SMES					
Uwezo fund credit officers seek information regarding workplace before awarding loan					
The loan amount given is adequate for the SMEs					
Uwezo fund committee seek personal information before awarding loan					
Access to financing depends on the sort of organization.					

Interest charged affects access to credit by SMEs					
Credit scores affect SMEs' access to credit.					
Uwezo fund committee monitor performance of business before loan					
Credit officers are trained to handle Uwezo fund borrowers					
Uwezo fund initiative have computerized system to monitor performance of Uwezo funds given					

Part C: Effects of entrepreneurial training on financial performance of MSMEs.

Statements	SA	A	NS	D	SD
	5	4	3	2	1
SMEs in Molo Sub-County have adequate trainings on financial performance					
Trainings have enabled MSMEs to prepare financial records					
Skills gained have assisted in evaluating their businesses					
Entrepreneurial trainings have enabled SMEs to retain profits					
Skills acquired has assisted to have good customer relations					
Trainings has assisted SMEs on management practice of loan repayments					

Part D: Effects of loan repayments on financial performance of MSMEs

Statements	SA	A	NS	D	SA
	5	4	3	2	1
The installments payable have an impact on SMEs' financial performance.					
Loan payback time influences the financial performance of SMEs.					
The interest rates for Uwezo fund is favourable to MSMEs					
Total sales and business profitability affects loan repayments					
The duration of default in the case of Uwezo Fund is comparable to other types of loans.					
Total loan amount have effects on loan repayments by SMEs					

The Uwezo Fund generates an evaluation report based on performance.					
Uwezo fund initiative have significant bad debts occasioned by borrowers					
Timeliness of loan release has effect on loan repayments					
Uwezo management monitor how Uwezo fund are repaid by borrowers					

Part E: financial planning on financial performance of MSMEs

Statements	SA	A	NS	D	SD
	5	4	3	2	1
Financial planning has helped SMEs find new investments.					
Financial planning has allowed SMEs to develop new decision-making skills.					
Financial planning has helped SMEs to properly keep records					
Financial planning has assisted SMEs in managing business risks					
Financial planning has enabled SMEs to manage taxes					
Financial planning has enabled businesses to increase profits					
SMEs have reduced debts and managed them through financial planning					

Part F: Performance of Small and Medium Size enterprises

Statements	SA	A	NS	D	SD
	5	4	3	2	1
The Uwezo Fund Initiative has helped my firm increase revenues.					
Uwezo fund initiative has helped me to identify new product development					
Uwezo fund initiative has helped me to retain my customers					
Uwezo fund initiative has helped me to increase profits					
Getting Uwezo fund is a long and time-consuming process for SMEs					
Growth of loan size after repayment has enhanced growth of my business					

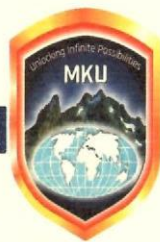
Uwezo fund has enabled businesses to remain competitive and thrive in harsh business conditions					
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The end

Thank you for participating

Appendix II: Introductory letter





DIRECTORATE OF GRADUATE STUDIES

MBA/2022/58377

4th June, 2024

National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA

Dear Sir/Madam,

RE: CHERUIYOT JUSTUS - REGISTRATION NO. MBA/2022/58377

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**.

The title of the research is "**Analysis of Uwezo Fund Initiative on Financial Performance of Small and Medium Size Enterprises in Molo Sub-County, Kenya.**" It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **June, 2024 and August, 2024.**

Any assistance accorded to the student will be highly appreciated.

Thank you.


Dr. Samuel M. Karenga, PhD

Director, Graduate Studies

Enc.

Mount Kenya University
P.O. Box 342 - 01000, THIKA
Office of the Director
Graduate Studies

Appendix III: ERC Letter

Mount Kenya University



REF: MKU/ISERC/3752
TO: CHERUIYOT JUSTUS

Date: 03 June 2024

REG: MBA/2022/58377

Dear Sir/Madam,

RE: ANALYSIS OF UWEZO FUND INITIATIVE ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES IN MOLO SUB-COUNTY, KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **2796**. The approval period is **03/06/2024 - 03/06/2024**.

This approval is subject to compliance with the following requirements;

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other documents needed.






Yours sincerely,

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC

The Chairman
Mount Kenya University
Ethics Review Committee
P.O. Box 13495 - 00100, NAIROBI CAMPUS



Appendix IV: NACOSTI Research Permit

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 574340	Date of Issue: 04/July/2024
RESEARCH LICENSE	
	
<p>This is to Certify that Mr.. JUSTUS K CHERUIYOT of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nakuru on the topic: ANALYSIS OF UWEZO FUND INITIATIVE ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES IN MOLO SUB-COUNTY, KENYA for the period ending : 04/July/2025.</p>	
License No: NACOSTI/P/24/37058	
574340	
Applicant Identification Number	Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
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See overleaf for conditions	

K JUSTUS CHERUIYOT

ANALYSIS OF UWEZO FUND INITIATIVE ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES ...

-  Assignment title
-  postgraduate
-  Mount Kenya University

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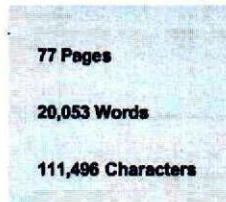
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Appendix VI: Consent Form



CONSENT FORM FOR PARTICIPATION IN RESEARCH

TITLE OF STUDY: ANALYSIS OF UWEZO FUND INITIATIVE ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES IN MOLO SUB-COUNTY, KENYA.

Dear Participant,

I invite you to participate in a research study entitled **ANALYSIS OF UWEZO FUND INITIATIVE ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES IN MOLO SUB-COUNTY, KENYA**. I am currently enrolled in Masters program at Mount Kenya University and am in the process of writing my Master's project. The purpose of the research is to analyze the effects of uwezo fund initiative on financial performance of small and medium size enterprises.

The enclosed questionnaire has been designed to collect information on: **Loan repayment, financial planning, entrepreneurial training and access to credit.**

Your participation in this research project is completely voluntary. You may decline altogether, or leave blank any questions you don't wish to answer. There are no known risks to participation beyond those encountered in everyday life. Your responses will remain confidential and anonymous. Data from this research will be kept under lock and key and reported only as a collective combined total. No one other than the researchers will know your individual answers to this questionnaire. There are no direct benefits to you for participating in this research. However, you may find it interesting to talk about the issues addressed in the research and it may be beneficial to the field and to future clients or individuals who have experienced similar concerns

If you agree to participate in this project, please answer the questions on the questionnaire as best you can. It should take approximately **15minutes** to complete. Please return the questionnaire as soon as possible to enable me complete the project report.

If you have any questions about this project, feel free to contact *the INVESTIGATOR, (Cheruiyot K. Justus. 0726629301 or Dr. Ruthwinnie Munene 0722835443)*. If you have questions about your rights as a research participant, please be in touch with the Chairman, Mount Kenya University, Ethical Review Committee, P.O Box 342-01000, Thika.

Thank you for your assistance in this important endeavor.

CONSENT

I have read and I understand the provided information and have had the opportunity to ask questions. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving a reason and without cost. I understand that I will be given a copy of this consent form. I voluntarily agree to take part in this study.

Participant's signature _____ Date _____

Investigator's signature _____ Date _____