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THE INFLUENCE OF FINANCIAL SUPPORT SERVICES ON THE FINANCIAL PERFORMANCE OF WOMEN-OWNED ENTERPRISES IN ELDORET, KENYA

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ABSTRACT: *Micro-credit services target low income clients who lack access to banking and related services. The study sought to establish the influence of micro-credit services on financial performance of women-owned enterprises in Eldoret. The financial performance measures were the net profit, current, inventory and times interest earned ratio. Based on the research, this paper discusses the influence of financial support services on the financial performance of women-owned enterprises which are funded through micro-credit. The study targeted a population of 1721 which constituted of women who owned enterprises and were registered with the county government of Uasin Gishu County. Study samples were drawn through purposive random sampling. A sample size of 313 was obtained using the Krejcie and Morgan formula. Questionnaires were used to collect data. Descriptive and inferential statistics were used to present and analyse the data obtained. Data was then presented in form of tables, and explanations provided. There results showed that there was no significant influence of financial support services on financial performance of women-owned enterprise (p=0.00). From the study, it was observed that the financial performance of the women-owned enterprises in Eldoret improved due to the increase in the net profit, current, inventory turnover and times interest earned ratio. The study concluded that multiple loan products and favourable loan terms helps boost the financial performance of women owned enterprise. The study recommended that microfinance institutions should restructure the collateral and interest requirements by the women entrepreneurs by using credit scoring and business history as alternatives to asset-based security. This paper underscores the need to carry out more research on factors affecting women-owned enterprise in other areas of similar socio-economic patterns to ascertain whether or not financial support services have had a positive impact on the financial performance of women-owned enterprises. Moreover, a study should be conducted on the influence of micro-finance lending on financial performance of women-owned enterprises in Eldoret town.*

KEYWORDS: Influence, Financial Support Services, Financial Performance, Women-Owned Enterprises, Eldoret, Kenya

INTRODUCTION

Micro-world (2016) defines micro-credit as the extension of very small loans (micro-loans) to impoverished borrowers who typically lack collateral, steady employment and a verifiable credit history. It provides not only credit, but also savings, insurance, and other basic financial services to the poor (Micro-world, 2016). According to Ledgerwood's diary (as cited in Mbugua, 2008), micro-credit can be defined as the provision of financial services to low income clients, including the self-employed. Financial services generally include savings and credit; however, some finance organizations also provide insurance and payment services. In addition to financial intermediation, many MFIs provide social intermediation services such as

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group formation, development of self-confidence and training in financial literacy and management capabilities among members of a group. Thus the definition of micro-credit often includes both financial and social intermediation Ledgerwood's diary (Mbugua, 2008).

Global Envision (2016), in their report explained that micro-credit, filled the gap left by commercial banks enabling the poor to save and get credit through cooperatives and development finance institutions. Hospes, Musinga and Ong'ayo (2002) posit that K-REP was the first micro-finance to be established in Kenya. Due to the pioneering and supportive roles of K-REP as well as donors much appreciating NGOs imitating the Grameen Bank approach, Kenya witnessed the emergence of quite some NGO-micro-finance agencies in the 1990s, using adapted versions of the Grameen Bank group-lending model. In this connection, one might say that Kenya evolved as the Bangladesh of Africa (Otto *et al.,* 2002).

The Influence of Financial Support Services on Financial Performance

Financial support services are the type and conditions or the package that is inherent in the loan being given. This is evident in the type of loan given, number of loans given and the terms of the loan. Different microfinance institutions have different loan products. The most common are business loans, asset loans, emergency loans and top up loans. MFIs can allow a client to have more than one loan as long as the savings are sufficient for them and the group has consented to guarantee the loan MFI try to give favourable loan terms to their clients. These loan terms are inclusive of the savings required per loan size, the interest one needs to pay in for a given loan in a period, the frequency of loan repayment and the period when the loan is to be paid. It is also inclusive of the level of funding one can be given after one has successfully completed one loan. The study therefore endeavoured to find out what existing literature has to say on the relationship between financial support services and the financial performance of women owned enterprises. Other micro-credit facilities are necessary to avail credit to customers to meet the day to day need that makes them affects the cash flows of the business. They may include but not limited to school fees emergency needs, medical cover acquisition, installation of electricity, share purchase loans etc.

Akoto (2011) conducted a study on the impact of micro-credit on small businesses. His was a case study of the Micro-finance and Loans Centre (MASLOC). The study was based on Madina Town. He used descriptive and inferential statistics to carry out the research. Data was collected using open and close-ended questionnaires. The data was presented in tables, bar charts and graphs. Data was analysed using correlation and regression analysis. Akoto (2011) found out that micro-credit led to increase in sales. The study findings also indicated that the use of multiple loan products increased the impact of micro-credit on small business. The study recommended introduction of multiple loan products so as to reduce diversion of credit for non-business purposes.

Njiwakale (2013) investigated on the effect of Micro-finance lending on the business performance. He did a survey of micro and small enterprises in Kitale Municipality. The purpose of the study was to find out the effect of (MFI) lending on business performance. Descriptive survey research design was applied in this study. The target population was 1200 and the researcher used a sample of 120 respondents. The sample was proportionately and randomly drawn from the strata. The questionnaires used were semi-structured. Data was analysed by verification and coding by the researcher in a computerized package and the analysed data summarized in pie charts and figures. The researcher used chi-square and correlation was done at 95% significance level. The result of this study was that the amount of

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loan given and business performance are positively related. Thus, according to the study, the higher the loan amount the better the business performance. Njiwakale (2013) recommends that loan amounts be increased for better business performance.

Ndereba (2014) studied on the effect of (MFI) credit terms on performance of small and medium enterprises in Mombasa County. The objective of the study was to find out how (MFI) credit terms affect performance of small and medium enterprises in Mombasa County. The descriptive survey design was used. The target population was 378 enterprises and using cluster sampling technique she got a sample size of 41. Questionnaires were used to collect primary data while journals were used to collect secondary data. The findings were that the interest rates affect business performance. When too high they make running of business inefficient. The loan size affects business if it's too small or not enough while the performance of enterprises was positively related to business performance). The study recommended that loan size should be adequate, interest rates favourable and grace period sufficient (Ndereba, 2014).

Odongo (2014) examined the effect of lending terms on financial performance of small and medium enterprises in Uganda, using a case study of Soroti District. A cross-sectional survey and descriptive research were applied in the study. Questionnaires were used to collect data. The findings of the study were that there is a positive linear relationship between loan size and financial performance of an enterprise. Another finding was that there is an inverse relationship between the cost of financing (interest) rate and financial performance.

Wakaba (2014) researched on the effect of micro-finance credit on the performance of small and medium enterprises in Kiambu County. The survey research design was employed in this study. The target population was 206 and using stratified random sampling a sample size of 60 was selected. According to Wakaba (2014), micro-credit, savings, financial and management counselling had a strong positive relationship with financial sustainability of small and medium enterprises. The recommendations of the study were that ways of increasing access to credit be implemented.

In summary it can be concluded that the reviewed studies agree on the fact that interest rates and financial performance of an enterprise have a negative correlation. They also agree on the fact that loan size and financial performance have a positive correlation. Another area they agree on is that there is also a positive relationship between the loan period and the financial performance of an enterprise. This seeks to find out if there is any change on the findings conducted by the previous researchers it is also evident that research has not been done to find out the relationship between rider/multiple loans and financial performance of business.

Statement of the Problem

Microcredit is designed to support entrepreneurship and alleviate poverty. It is also designed as a useful financial tool. A business owner can improve living conditions only if the business is performing well financially (EBRD, 2015). According to Fouad (2013), the factors affecting the small and medium enterprises are lack of information technology, formal procedures, human resources and financial resources. From the above it is clear that an enterprise needs finances for good financial performance.

There has been a debate on whether microcredit can lift people out of poverty. In most countries, commercial banks have not effectively addressed the financial needs of low income earners, due to stringent baseline requirements (EBRD, 2015). Commercial banks perceive low

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income earners as not being credit-worthy due to lack of assets, which they may use as collateral against credit facilities (World Bank, 2009). In this regard, credit facilities provided by Microcredit Institutions (MFIs) play an important role by filling the gap for financial services among low income-earners, majority of who include women. The services provided by MFIs are flexible and tailored to meet the financing needs of women in rural and urban settings (Chandrasekhar, 2004).

Micro-world (2016) reports that women-owned enterprises are a very diverse group but they have one thing in common: they are unable to access financial services through formal routes, such as traditional banks, because they do not meet the requirements that many of these institutions set, such as minimum deposits, collateral, a steady income, or a proven credit record. Micro-credit loans come in to meet the financial needs of women-owned enterprises because they are small, flexible, no collateral and easy to use loan terms (Global Envision, 2016). Women face challenges getting collateral since assets are owned jointly by husband and wife, thus they have limited access to finance for their businesses (Wachira, 2012). A study was done by Wachira (2012) to gauge the effect of micro-credit on the performance of women's income generating projects in Eldama Ravine Town. Mbithe (2013) conducted a study on the effect of micro finance services on the growth of (SMES) in Machakos County.

Chowdhury, Ghosh and Wright (2002) conducted a study to assess the impact of micro-credit on poverty reduction in Bangladesh. Due to the problem of access to cheap sources of funds and the need to better lives through good financial performance of business the urge to carry out this research was born. Previous researchers have touched on the relationship between micro-finance services and business performance and growth. Little information is available on how micro-credit services are related to the financial performance of women-owned enterprises. The study sought to fill this gap by examining how micro-credit services relate to the financial performance of women-owned enterprises.

This paper explores the influence of financial support services on the financial performance of women-owned enterprises in Eldoret, Kenya. The main purpose of this paper is to assess whether or not there is a significant relationship between financial support services and financial performance of women owned enterprises in Eldoret. Financial services in this case include the various loan products offered by the microfinance institutions (MFIs), for example, the business loans, asset loans, and top-up loans. The main question is: do these loans the favour the growth of women-owned enterprises? How do the loan terms, size, interest rate and frequency of payment affect the business operations of women entrepreneurs? From this paper, potential women micro-credit clients can know the influence micro-credit services on the financial performance of their enterprises. This knowledge will enable them to make informed decisions on whether or not to take up credit.

MATERIALS AND METHODS

The study used the expo-factor research design. The target population in this study was the women who own enterprises in Eldoret town and their business are registered with the county government. According to data available at Uasin Gishu County, there were 1721 women who owned enterprises within Eldoret. The target population, therefore, consisted of 1721 women-owned enterprises. The target population was homogeneous and therefore there was no need of stratification. Purposive random sampling was used to pick women who would fill the

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questionnaires. The researchers selected the sample purposefully. In order to get the sample size, the study used the Krejcie and Morgan (1970) table. According to this table, a target population of 1721 gave a sample size of 313.

This study was carried out with the help of primary and secondary data. The primary data was collected using questionnaires. The questionnaires were reviewed for completeness and consistency in order to do the statistical analysis. The dependent variable which was financial performance was measured by using ROCE, net profit ratio, inventory turnover ratio and interest cover ratio. The independent variable (micro-credit services) was the financial support services. Quantitative data from the questionnaires that are structured in line with the variables were analysed using descriptive statistics in form of percentages, frequencies, standard deviation and mean. Inferences from the data obtained were drawn from the data obtained. Multiple regression analysis was used to draw inferences from the data obtained. The Social Package for Statistical Science (SPSS) software was used to aid in data analysis.

RESULTS

Influence of Financial Support Services on Financial Performance

The study sought to establish the relationship between financial support services and financial performance. The results were as tabulated in Table 1 below.

Table 1: Influence of Financial Support Services on Financial Performance

Financial Support Services	SD	D	U	A	SA	M	Std
	F(%)	F(%)	F(%)	F(%)	F(%)		
The business loan given helps boost the financial performance of my business	29(12.1)	10(4.2)	4(1.7)	69(28.9)	127(53.1)	4.1	1.4
The use of other loans other than business loans boosts the financial performance of my business	16(6.7)	28(11.7)	7(2.9)	102(42.5)	87(36.2)	3.9	1.2
The interest charged on the business loan is favourable to the financial performance of my business	29(12.1)	18(7.5)	9(3.8)	88(36.7)	96(40.0)	3.9	1.3
The interest charged on other loan products influence the financial performance of my business	20(8.3)	23(9.6)	13(5.4)	105(43.8)	79(32.9)	3.8	1.2
The size of the loan is appropriate to enhance the financial performance of my business	16(6.7)	19(7.9)	12(5.0)	103(43.1)	89(37.2)	4.0	1.2
The frequency of payment is suited to the needs of my business.	10(4.2)	23(9.6)	9(3.8)	98(40.8)	100(41.7)	4.1	1.1
The loan period is favourable to the financial performance of my business	18(7.5)	14(5.9)	7(2.9)	90(37.7)	110(46.0)	4.1	1.2

Mean of $\overline{x}$=4.0, M=Weighted mean, Std=standard deviation

Source: Field Data (2017)

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The study findings on the relationship between financial support services and financial performance revealed that 80% (mean=4.1) were of the view that the business loan given helped boost the financial performance of my business, 78% (mean=3.9) were of the view that the use of other loans other than business loans boosted the financial performance of their business, 78% (mean=3.9) were of view of that the interest charged on the business loan was favourable to the financial performance of their enterprise, 76% (mean=3.8) were of the view that the interest charged on other loan products influence the financial performance of their business, 80% (mean=4.0) were of the view that the size of the loan was appropriate to enhance the financial performance of their business, 80% (mean=4.1) were of the view that the frequency of payment was suited to the needs of their business, 80% (mean=4.1) were of the view that the loan period is favourable to the financial performance of my business

Financial Performance of women-owned Enterprises

The study focused on net profit ratio, current ratio, inventory turnover ratio and times interest earned ratio as the measure of financial performance, as shown in Table 2 below.

Table 2: Financial Performance of Women-Owned Enterprises

Month	Net profit Ratio		Current Ratio		Inventory Turnover Ratio		Times Interest Earned Ratio	
Year	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
1	0.105	0.105	2.4	1.8	0.15	0.2	1.75	1.75
2	0.23	0.15	3.7	2.58	0.11	0.12	2.1	1.65
3	0.31	0.36	2.57	4	0.12	0.21	2.32	2.35
4	0.25	0.18	1.39	1.05	0.13	0.17	1.67	1.63
5	0.14	0.133	2.4	1.13	0.08	0.16	1.2	3.25
6	0.05	0.27	1.52	1.52	0.07	0.11	0.86	1.8
7	0.042	0.182	1.9	1.6	0.09	0.11	1.05	2
8	0.01	0.155	1.6	2	0.1	0.13	1.4	1.9
9	0.11	0.15	1.6	2	0.13	0.125	1.65	2.3
10	0.175	0.11	3.8	4.6	0.11	0.14	1.9	2.1
Totals	**1.247**	**0.17**	**22.88**	**22.28**	**1.09**	**1.475**	**15.9**	**20.73**
Mean	**0.12**	**0.17**	**2.288**	**2.228**	**0.109**	**1.61**	**1.6**	**2.1**

Source: Field Data (2017)

The mean net profit ratio for the year 2016 was 0.12 while the mean net profit ratio for the financial year 2017 was 0.17. There was an increase in the ratio by 0.05. it implies that the women-owned enterprises have performed well. This can only happen if expenses are reduced or sales increased. Whichever way the micro-credit services influenced the financial performance of these women-owned enterprises. The mean current ratio for the financial year 2016 was 2.32 while that of the year 2017 was 3.2. It shows that the current ratio increased by 0.88. This means that the women-owned enterprises increased in their ability to pay liabilities as they fall due. It means that micro-credit services influenced the financial performance of their enterprises positively.

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The mean inventory turnover ratio for the year 2016 was 1.09 times while that of the year 2017 was 1.61 times. It means that on average the women owned enterprises increased the number of times they were able to sell and buy new stock by 0.52 times. This means that the women who owned these enterprises were able to increase their ability to balance between having enough inventory on hand to meet the daily needs and tying up cash in unsold stock. This implies that micro-credit services positively influenced financial performance of women owned enterprises in Eldoret town.

The mean times interest earned ratio increased from 1.6 in the financial; year 2016 to 2.1 in the financial year 2017. This means there was increase in the number of times the revenue of the women owned enterprise could pay up the interest owed to them by their financiers. It implies that micro-credit services positively influence the financial performance of women-owned enterprises in Eldoret town.

Test of Hypothesis

The study hypothesized that there is a significant relationship between financial support services and financial performance of women owned enterprises in Eldoret. From the analysis results, there was a statistical significant linear relationship between financial support services and financial performance of enterprise ($p=0.00$; $p<0.05$). The study, therefore, rejected the hypothesis that there is a significant relationship between financial support services and financial performance of women owned enterprises in Eldoret in favour of the alternative hypothesis. In other words, there is no enough evidence that shows is a significant relationship between financial support services and financial performance of women owned enterprises in Eldoret. This implies that the financial support services like loan offered by financial institutions has not changed the performance of financial status of women owned enterprises in Eldoret.

DISCUSSION

There was a statistical significant linear relationship between financial support services and financial performance of enterprise. On the other hand, the results from regression analysis revealed that there was enough evidence to reject the hypothesis that there was a significant linear relationship between financial support services and financial performance of enterprise. Contrarily, Njiwakale (2013) reported that the amount of loan given and business performance are positively related. Thus according to the study, the higher the loan amount the better the business performance. Additionally, Ndereba (2014) reported that the interest rates affect business performance. When too high they make running of business inefficient. The loan size affects business if it’s too small or not enough while the performance of enterprises was positively related to business performance. Odongo’s (2014) findings further indicated that there was a positive linear relationship between loan size and financial performance of an enterprise. Another finding was that there is an inverse relationship between the cost of financing (interest) rate and financial performance.

However, descriptive findings agreed with those of Wakaba (2014) who reported that there is a strong positive relationship between credit and financial performance. This is similar to the finding of this study whereby most of the respondent (Mean $\bar{x}$=4.0) agree that the business loan given helps boost the financial performance of their business. Akoto (2011) findings were that loans given boost the sales of the business thus influencing financial performance. Akoto (2011) concluded that the use of multiple loan products influenced financial performance by reducing diversion of business loans to non-business uses. These findings are similar to those of this study because most respondents ($\bar{x}$=3.9) agree that the use of other loans other than business loans boosts the financial performance of their business.

Additionally, the results from descriptive statistics the results showed that most of the respondents agreed that financial support services affect financial performance of women owned enterprises ($\bar{x}$=4.0). This implies that financial support offered by MFIs in Eldoret town has influenced the financial performance of women of women owned enterprise. These findings are in agreement with those of Odongo (2014) who reported that loan size and financial performance have a positive correlation.

Contribution to Academic Debate

Many studies have been conducted, especially in developing countries on small and medium enterprises. It is common knowledge that SMEs play a critical role in the development of these rising nations. Indeed, SMEs and other forms of entrepreneurship employs most of the youth who graduate from universities and colleges in places like Kenya and Nigeria. Entrepreneurship is the ‘thing’ for many young people today. However, despite the many research studies conducted, it seems governments have not taken research findings seriously. Most studies point to the failure of governments to provide the necessary political and economic environments for entrepreneurial activities of women and the youth to thrive. This paper contributes to this pool of studies. It has shown that women-owned enterprises require financial support from both government and non-governmental organizations. The researchers hope that the paper will inform existing government policies on funding for women-owned enterprises in Kenya.

Specifically, the findings could enable micro-finance institutions who are the micro credit lenders to gauge their lending policies. They can do by evaluating how their lending terms, methodologies and options at a go relates to the financial performance of women-owned enterprises with regard to Eldoret town. The micro-credit lenders will gain insight on how they need to improve their policies so as to better serve their clients. Moreover, the Central Bank of Kenya, which regulates micro-finance institutions, can use this paper to evaluate whether or not the micro-finance institutions are giving fair options to women whom they lend to. Similarly, the County governments can find this paper helpful in inventing ways in which economic growth can be spurred in the county. If women who are clients of micro-finance organizations can have better financial performance due access to micro-credit, then this study will be deemed significant.

CONCLUSION AND RECOMMENDATIONS

From the results of the study, it was concluded that the business loan helps boost the financial performance of women owned enterprise business in Eldoret town. Furthermore, the size of the loan is appropriate to enhance the financial performance of these businesses. It was also concluded the frequency of payment was suited to the needs of the women owned business in Eldoret town and women were able to meet other needs including repaying their loan. It was further concluded that loan period was favourable to most of the women-owned enterprise financial performance. Based on the findings and conclusion, it is recommended that financial institutions, including microfinance institutions, should restructure the collateral and interest

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requirements by the women entrepreneurs by using credit scoring and business history as alternatives to asset-based security. This will encourage faithful loan repayment. Other documents such as Local Purchasing Orders (LPOs) should suffice as loan security.

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