EFFECT OF FINANCIAL HABITS ON FINANCIAL PERFORMANCE OF WOMEN OWNED MICRO, SMALL AND MEDIUM ENTERPRISES IN MERU, KENYA

BY

MONICA K KATHONO

ADM. NO. 18/01668

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE IN FINANCE AND INVESTMENT, KCA UNIVERSITY

OCTOBER 2019

DECLARATION

I declare that this Research project is my original work and has never been published or submitted anywhere for award of a master's degree. I also declare that this research project doesn't contain any material written or published by other people except where due reference is made and author is duly acknowledged.

Signed ……………………….. Date …………………………

Monica K Kathono:

Adm. No: 18/01668

Approval by the supervisor

I do hereby confirm that I have examined this master's Research Project and have approved it for examination.

Sign: ……………………………... Date: ………………………………..

Dr. Ibrahim Tirimba

ABSTRACT

With the decreased rate of collar jobs, and with the government aim to achieve the Big four Agenda and vision 2030, self-employment is very vital for the economic growth and this is possible through MSMEs whereby women are the majority being considered as integral for economic growth. Despite a lot of energy being channeled by both government and non-governmental bodies in building women entrepreneurs research shows they been facing survival and success challenges. Several studies have been done in past to come up with solution for survival and success of women owned MSMEs financial growth yet a large number of closer up and stagnation been recorded to date meaning major solution not yet found, therefore been necessary to study further. This research focused on the effect of financial habits on financial performance of MSMEs, these financial habits include: saving habit, credit habit, and investment habit. The key theories in this study were Entrepreneurship theory, prospect theory, Financial Literacy Theory and Traits theory. The study focused on registered MSMEs women in Meru town by June 2019, and used questionnaire to collect the data, both open and closed questions. Pilot test was done; reliability and validity of research instruments was done. Linear regression model was used to analyses the data and to estimate the effects of financial habit on women owned MSMEs. Analyzed data was presented using tables, and figures. The study established that saving habit has positive and significant effect on financial performance of women owned enterprises, Credit habit also has a positive and significant effect on financial performance of women owned enterprise and Investment habit also has a positive and significant effect on financial performance of women owned enterprises. The study concludes that saving habit has positive and significant effect financial performance of women owned enterprises, Credit habit also has a positive and significant effect on financial performance of women owned enterprises and Investment habit also has a positive and significant effect on financial performance of women owned enterprises. The study recommends that government agencies should organize financial education programs along with micro-finance organizations and banks to raise awareness of importance of saving, borrowing and investing in financial growth of every business from the starting point.

DEDICATION

I dedicate my research work to Almighty God for blessing me with knowledge and wisdom, my husband, Mr. Jonathan Wambua, my children David, Victoria, and Peter for their love; support, perseverance, and understanding my absence during study period. Also would like to dedicate this Research project work to my brothers, sisters and my mother, Margaret Karea, for moral support and prayers.

ACKNOWLEDGEMENT

I sincerely appreciate the input of my project Supervisor Dr. Ibrahim Tirimba for his mentorship and intellectual guideline. This work would not have been successful without his contribution and the explanations God bless the work of His hands. Also to my employer KBC for giving me a week off duty to complete my studies.

Also would like to appreciate my classmate and friends for encouragement, and knowledge sharing during the study period

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACRONYMS AND ABBREVIATIONS

ANOVA- Analysis of Variance

AWEC-African Women Entrepreneurship Cooperative

GDP-Gross Domestic Products

GEM- Global Entrepreneurship Monitor

ILO-International Labor Organization

KNBS- Kenya National Bureau of Statistics

MFIs – Micro-Finance Institutions

MSEs – Micro and Small Enterprises

MSMEs – Micro, Small and Medium Enterprises

NDP- National Development plan

NSE- Nairobi Securities Exchange

SACCOs- Savings and Credit Cooperative Society

SMEs – Small and Medium Enterprises

SPSS- Statistical Package for the Social Sciences

UK-United Kingdom

UN- United Nations

UNEP- United Nations Environment Programme

USA-United States of Africa

VIF- Variance of Inflation Factor

OPERATIONAL DEFINITION OF TERMS

Credit habit– Is the habit of borrowing money

Financial Habit- Financial habits any human being habitat is money management related

Insurance habit– Means habit of safeguarding against future shocks and losses

Investment habit– Act of making money work harder for the most of your savings

Saving habit– Continuous habit of putting money apart for future use

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A good financial habit by the founders and the owners of business is vital and significant for the success, growth, and sustenance of any enterprise in the competitive business environment (Lusardi & Mitchell, 2017). Therefore, good financial habit leads to a competitive global economy while bad financial habit may lead to shut down of business. All over the world entrepreneurship is emerging as a way of economic status improvement status, social status, and employment Creation Avenue and as a way of assisting women asserts themselves in today's working world (Hasan & Almubarak, 2016). As women owned enterprises are growing globally poverty is being eradicated, increasing household incomes and growing of national economies.

According to report released by United Nations Secretary-General's High-level Panel in 2016 about Economic Empowerment of women revealed that compared to men owned businesses, women owned enterprises are lagging behind in terms of business size, business ownership and in accessing economic resources. The same report also stretched that women owned enterprises are not only smaller compared to men but also disadvantaged in accessing credit resources. However there have been significant growths in women owned enterprises in Kenya. Shneor, Jenssen, Vissak, Bulanova, Isaksen and Kolvereid (2016) reveal that women are forming 70% of new businesses, employing over 17 million workers and owning over 8.5 million businesses leading to an increase of 45% since 1990.

1.1.1 Financial Habits

Financial habits refer to the repeated character of an individual in making decisions on matters related to finances (Shah, Kumar & Kim, 2014). These human habits include saving, credit, investing, insurance, and budgeting habits. Kholilah and Iramani (2013) found that important financial factor that is important in improving the welfare of life is financial management behavior, therefore financial Habit have impact on financial decision of entrepreneurs which in turn affects MSMEs financial performance. On the other hand investors' goals would decide investor's habit (Mathews, 2013)

A research study by Ida and Dwinta (2010) found that there exist five indicators of good financial management behavior: saving money, paying outstanding bills on time, Controlling spending, having plans for future finances, provision for needs. According to Chathurika (2017), these financial habits are determined by financial literacy on Savings, Investments, Insurance, Borrowing and Credit.

Lee, Miller(2012) on a study influencing positive financial behaviors found relevant financial behaviors, which included increasing savings, opening and maintaining a bank account, managing credit wisely, application of micro finance loans, avoiding over indebtedness, adoption of new technologies, choosing the right insurance, shopping around and comparing offers. Habits contribute partly to the outcomes and therefore they are not the outcomes (Ajzen & Fishbein, 1980). Therefore, Outcomes are results of both a person's own habit and other factors in many situations. But habit bears outcomes (Ajzen & Fishbein, 1980).

Survival of any firm is not determined by attaining a great market share, wealth maximization, profit maximization, and sales maximization but on good Financial habit which entails use of financial resources adequately (Abiodum, 2016). Several studies have reported that financial literacy has a positive relationship to financial habits such as Savings, management of debts, investments practices, management of cash flow, and risk management which increases the benefits of SMEs (Drever, Oddershite, Kalish, ElseQuest, Hoagland & Nelms, 2015).

Drever et al. (2015) argued that Good financial habits the capability of assets diversification across multiple kinds of investment because different types of investments are affected by their own specific nature. Good financial habits the ability of making good financial decisions that result to increased wealth and prevent uncertainties of individuals and businesses (Sucuahi, 2013). Therefore good financial habits prevent over indebtedness, generate more financial assets, increase saving, and insure against major life contingencies.

1.1.2 Financial performance

Financial performance is an indicator that evaluates the success of economic units to achieve stated strategies, objectives, and critical success (Lahtinen, 2009). Therefore financial performance measures enterprise's financial health for a certain time period and in comparison of firms that are similar across the same industry the firm is in operation. Financial performance is measured through assessing firm's production, profitability, liquidity, fund flow, working capital, fixed assets performance and social performance (Lahtinen, 2009)

Financial performance is the achievement of a firm financially for a given period of time which involves the collection and allocation of finance, measured by liquidity, capital adequacy, solvency, efficiency, leverage, and profitability. Financial performance measures the company's ability to manage and control its own resources through Cash flow, profit-loss, balance sheet, capital change as the basis of information for decisions making by corporate managers. It is important to understand technical analysis and fundamental analysis it is necessary to learn finance to understand the company's financial habit through accounting, financial management and economics (Did, Jusni & Mochamad, 2018)

Financial performance Evaluation is vital for the growth of any enterprise. For MSMEs financial performance is measured by profitability and sales growth. Agha (2014) describes profitability as firm's ability to make profit and profitability is measured by incomes and expenses, where by income is the revenue generated from business activities. Therefore Profit is determined by deducting expenses incurred in revenue generation from earned revenue, meaning the higher the profit the better business is performing

1.1.3 Women Owned Micro, Small and Medium Enterprises

Women owned enterprises are businesses rooted or operated by one or two women within a given context (Economic Survey, 2015). According to Marlow (2009), female MSMEs are less presented in the entrepreneur's global columns. The European Union (2011), classified businesses according to the number of employees taking into account the turnover rate and business's balance sheet. A business with less than 10 employees is considered as micro business whereas business with employees less than 50 but greater than 10 is classified as small sized enterprise and the one with employees between 50 and 250 is classified as a medium enterprise (European Union, 2011).

Globally and especially in UK women self-employment rates are almost half those of men which normally ranges at 7 percent to 13 percent, because women are less likely to startup a business than men (Annual Population Survey, 2001). These results agree with other parts of the world where self-employment is higher among men that women (Blanchflower, 2004).

From the global perspective entrepreneurship has been a phenomenon of male dominated case, for instance in some countries, like Ireland, South Korea, United Kingdom, Norway, and in Netherlands men are nearly twice entrepreneurially active than women. Men have higher start-up number of opportunities and well equipped with knowledge of starting new business. A research study released by the Global Entrepreneurship Monitor (GEM), (2012), an international research consortium which measures entrepreneurial activity of individuals in 59 countries found that in Pakistani men have more positive entrepreneurship attitude than their female counterparts. However with time the situation has changed and now women are very active in venturing into business. Women have been realizing that what men can do in terms of business ventures they can do even better than them (Singh, 2012).

According to the International Labor Organization (ILO) women entrepreneurs account for a quarter to a third of all businesses in the formal economy worldwide (Nxopo, 2014). In USA, the gender creative businesses analysis reveals that the growth rate of women –owned enterprises is twice the rate of men growth and comprise more than 35% all entrepreneurial ventures share and generate above $2.3 trillion revenue annually, and employ 18 million individuals (Bartol & Martin, 2006). Study conducted in Canada by Andiappan et al. (2010) signals that discrimination of women is present even in the developed countries.

In Africa a lot of energy is being channeled in building women entrepreneurs through both government and non-governmental bodies such as African Women Entrepreneurship Cooperative (AWEC). World Bank Group (2017) while women make up around half of entrepreneurs in Sub-Saharan Africa, there are large gender gaps in firm performance. However, there have been interventions to improve African woman overcome gender related challenges facing their businesses.

Female entrepreneurship in developing countries is increasing, micro and small enterprises are largely run by women despite the challenges of survival (Ongori & Migiro, 2011). In Kenya increasing women opportunities all around and increasing women participation in business activities and participation in economic development is one of the Kenyan government strategies to achieving the stated goals in Vision 2030 and also in eradicating poverty (8^{th} National Development plan –NDP, 2017)

Women Entrepreneurship in Kenya generally lack entrepreneurial culture especially for operating and potential and women owners (ILO, 2008). A Study by Njeru and Njoka (1998) pointed out the patriarchal structures of social authority as means through which women receive substantial support from the family during the start-up stages of their enterprises; however such support is later limited, restricted, or withdrawn for social issues such as fear by husbands to loose dominance over their wives.

Several other studies carried out in Kenya have pointed out the lack of entrepreneurial culture in Kenya among women due to lack of confidence, poor social background, lack of relevant entrepreneurial networks, inadequate and inappropriate training, socio-economic discrimination and starting business without adequate preparation. According to Mutuku (2006), entrepreneurial training is needed to socially condition young women to develop required desire for achievement of success and growth in business. This desire can be achieved through profiling and imitating women entrepreneurs who are successful.

Women entrepreneurs are considered fundamental in Kenyan economic growth, Munyua (2011) stretched out that active women entrepreneurs and SMEs are able to combine their reproductive and productive roles because of the flexibility in hours of work associated with self-owned enterprises, this permit women take care for their children and also on the other hand contribute substantially to economic growth, hence women SMEs have a heavier household financial burden than men (Juma, 2016).

1.1.4 Women Owned MSMEs in Meru Town

In Mt. Kenya region Women entrepreneurs are taking advantage of the spontaneous growth of enterprises within the region (UNEP, 2014). Towns in this region are highly populated and surrounded by rich agricultural areas, making them busy hubs of mobility and exchange. This has also attracted Women entrepreneurs from other counties who are positioning themselves to take advantage of the Mt Kenya region in various thriving business opportunities and developing infrastructure also political stability and favorable climate conditions is another factor of attraction (UN, 2012).Therefore, Meru is the chosen area of study as part of Mt Kenya region.

Majority of women entrepreneurs in developing countries are SMEs (Gichukietal. 2014). Study by Economic Survey (2015) shows 72% of the business enterprises in Meru County are owned and operated by women, However a number of the women enterprises established have been hampered by a number of challenges that range from skills, finance, production, marketing and human resources (Economic Survey, 2015).

Despite the fact that women comprise the majority of the population and undertake nearly two-thirds of productive work globally, they are marginalized in receiving the world's income and property ownership (Kanja, 2012). Based on the background fact that women are more than men, and more women owned entrepreneurship than male owned and several challenges and failures have been witnessed with these women enterprises irrespective of the much effort both government and non-government institutions are putting to build women this research investigated on the effect of financial habits on the financial performance of women owned MSMEs in Meru town, Kenya.

1.2 Statement of Problem

Effect of financial performance of MSMEs has remained a paradox; various studies found that most women owned MSMEs enter and leave market yearly at a turnover rate of almost 32% per year (Organization for Economic Co-operation and Development, 2015). In the effort of empowering women both government and non-governmental bodies have spent Billions of dollars to support these women owned MSMEs through training, funding, grants and consultative support services, but despite all this continued effort the rates of failure experienced by these women owned businesses remains high (Noor 2010). A research study by KNBS (2013), reported about 58% of women owned MSEs who could not survive two years after being established. Survey conducted by World Bank (2015) on the role of women owned enterprises in economic developments in developing countries revealed that 71% of micro and small women enterprises are likely to collapse than male owned MSEs irrespective of the continued role of the Government to support the sector.

Kiraka, Kobia and Katwalo (2013) studied on micro, small and medium enterprise growth and innovation in Kenya. Several other scholars over the years have studied on factors affecting financial performance of entrepreneurs in Kenya (Jaana, 2012; Patricia, 2017; Economic Survey, 2015; Mugo, 2012; Hellen 2002) the factors commonly studied in these previous study are access of finance, level of education, culture, credit inaccessibility, financial literacy and none of the studies have focused on effect of financial habits on financial performance. From the above literature there is scarcity of study investigating more factors that may be the reasons for failure of MSMEs especially the women owned, financial habits on financial performance of MSMES has not been studied in past, therefore this research sought to investigate on effect of financial habits on the financial performance of women owned micro, small and medium enterprises in Meru, Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of this study was to investigate on effect of financial habits on the financial performance of women owned Micro, small and medium enterprises in Meru, Kenya

1.3.2 Specific Objectives

i. To determine the effect of saving habits on the financial performance of women owned Micro, Small and Medium Enterprises in Meru, Kenya.

ii. To assess the effect of credit habits on the financial performance of women owned Micro, Small and Medium Enterprises in Meru, Kenya.

iii. To evaluate the effect of investment habits on the financial performance of women owned Micro, Small and Medium Enterprises in Meru, Kenya.

1.4 Research Questions

i. What is the effect of saving habits on the financial performance of women owned Micro, small and Medium Enterprises in Meru, Kenya?
ii. How does credit have effect on the financial performance of women owned Micro, small and Medium Enterprises in Meru, Kenya?
iii. What is the effect of investment habits on the financial performance of women owned Micro, small and Medium Enterprises in Meru, Kenya?

1.5 Justification of the Study

The times have changed which have seen women engage in economic activities as opposed to post-colonial period when women were housewives and other domestic related jobs. The modern women are educated and entrepreneurial though with many challenges. United Nations Secretary-General's High-level Panel in 2016 about Economic Empowerment of women revealed that compared to men owned businesses, women owned enterprises are lagging behind in terms of business size, business ownership and in accessing economic resources. A study by Njeru and Njoka (1998) pointed out the patriarchal structures of social authority as means through which women receive substantial support from the family during the start-up stages of their enterprises; however such support is later limited, restricted, or withdrawn for social issues such as fear by husbands to loose dominance over their wives.

Women entrepreneurs are considered fundamental in Kenyan economic growth, Munyua (2011) stretched out that active women entrepreneurs and SMEs are able to combine their reproductive and productive roles because of the flexibility in hours of work associated with self-owned enterprises, this permit women take care for their children and also on the other hand contribute substantially to economic growth, hence women SMEs have a heavier household financial burden than men (Juma, 2016). Therefore, by examining financial habits of women owned MSMEs and the ways in which they affect financial performance of their businesses, it would help them manage their habits for better financial growth. This would help boost economic growth of the Country through improved livelihood among women.

Micro Small and medium-sized enterprises (MSMEs) have a main role to play in economic growth and contemporary country enhancement. In particular, an aggressive and creative MSME division maintains enormous guarantees for developing countries such as Kenya, such as: greater wage growth; perfect local asset work; increasingly productive mix through provincial exchange and speculation; and more notable value in access, circulation and enhancement (KNBS-2016). Kenya's main progress outlines, including the Vision 2030 and the MSME 2016 overview report, highlight the essential work of Micro, Small and Medium an Endeavor (MSMEs).

In 2015, the segment contributed a full 33.8 percent of Kenya's GDP and 28.5 percent of all out - of-economy returns in value included (KNBS 2016, KNBS 2017). The Kenyan 2016 MSMEs study adopted the genuine concept of Kenya where MSMEs are classified by job size as; micro-enterprises (under 10 members); small enterprises (10 to 49 employees); and medium-term efforts (50 to 99 employees). The MSME study 2015/16 built up 1.56 million authorized MSMEs and 5.85 million non-licensed MSME organizations in both the formal and casual divisions. Of the approved MSMEs, 92.2% are lower, 7.1% lower and 0.7% medium (KNBS 2016, KNBS 2017). With respect to training rates, University Graduates and postgraduates claim or work individually at 9.8 percent and 1.2 percent of approved and unlicensed organizations. As far as work is concerned, MSMEs connect around

14.9 million individuals, 55.2 percent of whom are in the larger sub-area, whereas 32.3 percent and 12.5 percent are individually in the small and medium sub-parts. The essential, secondary and university levels of training included 48.2%, 38.2% and 3.0% of MSME employees individually (KNBS 2016).

1.6 Significance of the Study

Researching on the effect of financial habits on the financial performance of MSMEs owned by women in Meru town, Kenya would not only be an addition to existing literature on performance of MSMEs but will also be of significant value to several stakeholders as discussed herein:

1.6.1 Women perating enterprises

The research would avail information to women entrepreneurs on the financial habits that are positive for the growth of their enterprises in terms of financial performance would also answer the question on why women enterprises are more failing than men, and caution the women on habits that lead to the failure that are women related

1.6.2 Scholars

Knowledge gained from this research would become source of knowledge for further research not only on women owned enterprises but also men and not only Kenyans but other developing countries globally and also use the study as a source of literature when studying related topics on entrepreneur's performance and women related businesses.

1.6.3 Policy Makers

The findings would be of help to policy makers such as county government, and various ministries in enhancing the choice and survival of businesses among women entrepreneurs, and in making policies parting growth of women in entrepreneurship

1.6.4 Lenders

Lenders like banks and SACCOs would use the findings to evaluate the potential investors to fund for they would be equipped with financial habits to look in an entrepreneur before lending. Lenders would look beyond financial securities and banks records.

1.6.5 Government and Donors

The government and donors having been in the forefront of helping women enterprises would have base on what to look for in enhancing women enterprises, which steps to take first, the trainings to offer and what to look for in sponsoring women enterprises

1.7 Scope of the Study

This study concentrated only on registered female entrepreneurs in Meru town who are in business; the data was obtained from Meru county revenue office to give the registered female entrepreneurs operating in Meru town as at June 2019 which was estimated to be 700 women owned MSMEs.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses theoretical review, empirical review, conceptual framework, and operationalization of variables based on the study objectives.

2.2 Theoretical Review

Theoretical review consists of the theories and models related to the study. The key theories of this study are Entrepreneurship Theory, Prospect Theory, Financial Literacy Theory and Traits Theory.

2.2.1 Entrepreneurship Theory

The theory states that characteristics of entrepreneurs determine the success of the enterprise. Shane and Casson (2003) proposed this theory of entrepreneurship tries to explain characteristics that differentiate between a successful entrepreneur and unsuccessful or less successful ones. The theory consists of evaluation, discovery, and decision to explore the opportunities with elements of self-employment, business operations and performance. Shane (2003) argues that opportunities come from both external and institutional environment for entrepreneurs who are in position to identify them to begin or improve their business.

Entrepreneurship theory highlights four operational measures which are initial offering experience, survival, profitability, and growth. In this case initial offer is the sale of stock, survival is the continuity of activities of entrepreneurial, profitability is the surplus of revenue over expenses incurred in earning the revenue and growth is the increase in sales

(Lyngsie & Foss, 2017). Lyngsie & Foss (2017) also emphasized that the ability of entrepreneur to identify and tap on the different opportunities available differ from one entrepreneur to another which is the ability of accessing information and the willingness to take action upon the acquired information in terms risk taking. Shane (2013) argued that individual attributes are made of both demographic and psychological factors which include: attitude risks, motives, training, education, age, career experience, and social status.

This individual attributes affects discovery of entrepreneurial opportunities. And the decision of exploiting the available opportunity depends on the education level, skills, experience, social networks, and Credit of the entrepreneurs (Shane, 2003). However Kuzilwa (2005) argued that environment plays a greater role in exploiting opportunity than individual attributes. Studies have found that attitude and behavioral intention have a positive relationship (Crisp & Turner 2007), and attitude towards habit leads to intention which eventually leads to actual habit (Ajzen, 2009)

This entrepreneur theory relates to this study of effects financial habit on financial performance of women owned SMEs because it explains how their character of individual entrepreneurs are different and how different characteristics influence the survival, growth, profitability and initial offering of business.

2.2.2 Prospect Theory

This theory was created by Kahneman and Tversky (1979) to help improve the understanding of the manner in which behavioural aspects affect the level of risk tolerance in making investment decisions. The authors developed weights in relation to decisions with corresponding values to losses and gains as opposed to final net assets (Pious, 1993). From examination of the habits, Kahneman and Tversky (1979) established that individuals put less weight to outcomes that were likely compared with outcomes that were certain. Further findings indicate that individuals responded in different ways to similar situations.

This theory was developed by Kahneman and Tversky (1979) who argued that individuals underweight outcomes which exhibit some likelihood of occurrence as compared to outcomes that occur with certainty. While supporting this school of thought, Yaari (1987) noted that there was a likelihood of individuals to generally discard components shared by prospects under consideration because values were assigned to gains and losses in the prospects theory as opposed to final assets. In addition, instead of using probabilities, the Prospects theory made use of weights. A reference point is created from which value functions are defined. Gains portray a concave shape while losses portray a convex shape. The shapes are such that losses post a steeper gradient than gains. This theory identified fourfold risk attitude patterns: risk aversion for gains which are moderate to high and losses of low probability.

Tversky and Kahneman (1992) extended the application of this school of thought by arguing that there occur some circumstances when individuals act in a manner which is inconsistent to economic theory. In line with this school of thought, knowledge on financial management helps individuals come up with financial management plans like initiating savings, development of budgets at the household levels and making investment decisions that are strategic. By proper application of financial knowledge investors are able to achieve financial goals and grow through wise resource allocation and planning which drives maximum utility.

Tversky and Kahneman (1992) argue that individuals respond differently to expected gains and losses, as compared to their response to expected utility theory. The predictive power of this school of thought in expounding on saving “puzzles” that has attracted the attention of many scholars (Attanasio & Banks, 2001). According to Prospects theory, individuals respond differently to situations depending on whether they predict losses or gains. Lebaron (1999) argues that individuals become more distressed at the prospect of losses as compared to equivalent gains. In situations where the probability of loss is quite large, people exhibit risk-seeking rather than risk-averse behaviour (Tversky, 1990). This theory helps explain the financial decisions undertaken by women entrepreneurs in management of their businesses.

2.2.3 Financial Literacy Theory

This theory was developed by Greenspan (2002) who argued that financial literacy helps individuals gain financial knowledge that is vital in initiating saving plans, creating household budgets, and making investment decisions that are strategic. By proper application of financial knowledge investors are able to achieve financial goals and grow through wise resource allocation and planning which drives maximum utility.

This theory argues that the financial behavior of people who possess high financial literacy level might depend on the commonness of two thinking styles according referred as dual-process that is the cognition and intuition meaning decision can be driven by both processes of cognition and intuitive as confirmed by Evans (2008) that dual-process theories have been applied to several fields including social cognition and reasoning.

According to Atkinson and Messy (2015) Financial literacy is a combination of investors' understanding of financial concepts, products and their ability and confidence to appreciate opportunities and financial risks to make informed choices, knowing where to receive help, and to taking other effective actions that improve their financial well-being. Financial literacy empowers investors through acquisition of relevant knowledge and skills on management of finances which in turns help investors overcome difficulties in the market place especially in credit markets that has advanced. Therefore financial literacy equips and enables entrepreneurs overcome difficult financial times, through strategies that deal with risks such as saving, diversification, debt management and purchasing of insurance.

With financial literacy investors are in a position to evaluate, compare and choose financial products from various financial institutions like saving products, credit, investment, insurance, and making optimal decisions (Miller et al., 2009). Therefore financial literacy leads to more effective use of financial products and services, greater control of finances and reduce vulnerability to overzealous retailers because investors who are financial literate are able to build up competitive pressures on financial institutions to offer more appropriately prices and transparent services by comparing available options and negotiating effectively

This theory is useful in this study as it explains the financial behaviors as a results of financial literacy this theory explains why entrepreneur behaves the way they behaves and explains the positive relationship that exist between financial literacy and financial habit. It also explains the choice of financial products as a result of financial literacy.

2.2.4 Traits Theory

This theory was initiated by Schumpeter (1934) by Arguing that entrepreneurship literature have positive views of an entrepreneur with knowledge that entrepreneurs are born meaning they are people with certain characteristics that relates to activities of entrepreneurship. According to Avlijas (2010) these characteristics are creativity, self-confidence, ability to take initiatives and risk taking.

This entrepreneurial traits theory argue that education and experience of individual entrepreneur affect the success of the enterprise meaning the more educated, skilled and experienced one is the higher the level of performance of the entrepreneurial entity. Adding that there is expected positive and significant relationship between human capital variables and performance of business. The theory also affirms that female entrepreneurs experience different constraints in business environment compared to male entrepreneurs. According to Marlow and McAdam (2015) lack of limited use of advisors, proper networks, poor and lack of women mentorship are the important factors that affect the performance of female entrepreneurs.

Bullough et al., (2015) did investigation on female entrepreneurship and suggested that business literature are positively related to entrepreneurial characteristics which masculinity with male and that female possess nothing in relation to do with expected entrepreneurship character, adding that entrepreneurship is man related activity. Bullough et al., (2015) described masculinity as strong personality, self-reliant, willingness to take risks, making decision easily, aggressive, dominant, competitive, individualistic, ambitious, internal locus control, influential, strong willed, visionary, daring, and achievement oriented characters that they argued are missing in female. On the other hand they described femininity as gentle, shy, loyal, sensitivity, affectionate which they argued are opposite of entrepreneurial characteristics.

This theory of entrepreneurial traits is relevant to this study because is sending lights on factors affecting the characteristics of financial habit which is well stated as literacy and experience on financial activities, also it highlights on the discrimination of women in relation to described character by Bullough et al., (2015).

2.3 Empirical Review

This section review literature that is relevant to the problem under investigation and shows clearly the linkage between variables according to previous authors.

2.3.1 Saving Habit and Financial Performance

Rikwentishe, Pulka and Msheliza (2015) conducted a study to find out the effectives of savings and savings habit on entrepreneurship development in Jalingo metropolis, Taraba State. The study concentrated on assessing saving and saving habits, there effect and determining the effect of perceived financial wellbeing on the performance of entrepreneurship development. A simple random sampling method issued to select 181 entrepreneurs from Jalingo metropolis, Taraba State for the study. The Study used structural questionnaires to collect data from the targeted group. Data was analyzed by both inferential and descriptive. The study established that saving improves the growth of individual entrepreneurship. The most attractive, easiest and potentially safest is the use of personal funds to start or grow a small business. This can be achieved by saving and investing regularly. Usually it precludes any complications such as circumstances for bank financing, debt strangulation and hangovers, equity dilutions, and any types of interference. This financial form is perfect for micro-enterprises. It helps maintain the company privacy and at a small but constant pace, clear of tempting loans for a fair period of time, until there is the ability to search for finance from other sources.

Nwodo, Ozor and Okekpa (2017) conducted a study on savings behavior among small scale business owners in Nigeria using a case study of Enugu metropolis. The study concentrated on savings for small business owners by describing their savings pattern. A descriptive research design was used in the study to survey 200 randomly chosen small business owners in the metropolis using a standardized questionnaire as a tool of data collection. The results indicated that membership of a microfinance group actually improves the savings rate among company owners. For most company owners, however, the savings motivation is to purchase household appliances, not even for company development. The study also found that small business owners are not paying a great deal of attention to savings. Based on the results, it is suggested, among other things, that attempts be made to reorient company owners on the actual savings motive, that microfinance companies attempt to reach out to the masses in order to attract large amounts of savings from them, and that government do more to inform people about the true motives of saving.

Teshome, Kassa, Emana and Haji (2014) investigated on saving patterns of rural households in east hararghe zone of Oromia National Regional State, Ethiopia. The study concentrated on the effect of on how saving habit and saving pattern influences rural household's growth. The study used explanatory research design and content analysis was used to analyze the data collected. The study established that it is often hard for people whose incomes are small to save. Similarly, small-scale business owners are supposed to contribute most to the growth of national economies. They are faced with poor access to loans due to bad savings conduct that plagues small and medium-sized company owners. It is becoming clearer that under-saving is a common issue and that, at least in the form of extra financial resources or investment, everyone should save more. In order to encourage savings in the scheme, governments at both the state and federal levels have developed numerous approaches, including banking reforms, the establishment of microfinance banks, the establishment of industrial banks, people's banks, encouragement of different saving and corporate organizations, loan guarantee schemes and grants, which are intended to increase income since savings is a function of income.

Ting and Kollamparambil (2015) investigated on the nature and determinants of household retirement savings behavior in South Africa. The research methodology used was descriptive research method. The study indicated that saving improves the growth of individuals. The most attractive, easiest and potentially safest is the use of persona fund to start or grow a small business. Poor savings among the lower-class business owners has been a source of concern even to the government; therefore, the government has been encouraged to introduce measures that would help these groups of business owners. The savings level is still very low and the savings rate is effectively diminishing. Therefore this call for urgent attention given that if savings are allowed to decline, sooner or later, the economy's growth path will be unimaginable.

Abadi Dirar, Berhanu, Getachew and Azadi (2017) conducted a study on financial product development and members' voluntary saving behavior in saving and credit cooperatives in Tigray. The study sampled 200 respondents from Tigray credit cooperatives. The study used open questionnaires to collect data. The study established that savings are seen as a growing revenue function and there exists a favorable savings-income connection. Savings and investment have also been linked together, as economists have pointed out, that the two terms are the preconditions for many countries ' growth and development. There has been a growing awareness that there is a strong tendency for domestic economies to grow and develop the quicker the rate of savings and investment. It is evident from the above that savings are strongly linked to investment. Therefore, savings can be essential in order to increase the quantity of available capital. Savings is a strategic variable in economic growth theory; hence its role as a determinant of economic growth has been emphasized by classical economists like Adam Smith and David Ricardo

Rikwentishe, Pulka, and Msheliza (2015) tried to find out the effectives of savings and savings habit on entrepreneurship development in Jalingo metropolis, Taraba State. The study concentrated on how Interest earned from savings and frequency of influence performance of entrepreneurship. The study established that saving improves the growth of individual entrepreneurship. The most attractive, easiest and potentially safest is the use of personal funds to start or grow a small business. This can be achieved by saving and investing regularly. Usually it precludes any complications such as circumstances for bank financing, debt strangulation and hangovers, equity dilutions, and any types of interference. This financial form is perfect for micro-enterprises. It helps maintain the company private and at a small but constant pace, clear of tempting loans for a fair period of time, until there is the ability to search for finance from other sources.

Villanueva (2017) investigated on the analysis of the factors affecting the spending and saving habits of college students. The study established that habit of saving money requires more force of character than most people have developed, for the reason that saving means self-denial and sacrifice of amusement and pleasures in scores of different ways. It is precisely for this purpose that one who develops the saving habit simultaneously acquires many of the other necessary features that contribute to achievement: in particular self-control, self-confidence, bravery, poise and liberty from fear. Looking at individuals who may not think in the saving habit, some people who are short-sighted, pseudo-philosophers like to point out that no one can become wealthy simply by saving a few amounts of cash a week. As far as the reasoning goes (which is not very far away), this may be true enough, but the other side of the story is that saving even small sums of money places one in a position where, often, this small sum can enable one to take advantage of business opportunities that lead directly and quite quickly to financial independence.

Anang, Dawuda and Imoro (2015) investigated on determinants of savings habit among clients of Bonzali Rural Bank in the Tolon-Kumbungu District of Ghana. The study concentrated on how reverse funds have influences business operation. Reserved funds are vital for successful business operation. Saving accounts are also vital to individuals ' achievement. Without saving funds, the individual suffers in two ways: first, by being unable to stop company opportunities that only come to the person with some prepared money, and second, by being embarrassed by some unexpected emergency calling for money. Many times people have gone a long way to achievement, only to stumble and never fall again to rise due to absence of cash in emergency times. Every year, company mortality rates are stupendous owing to the absence of reserved resources for emergencies. Most of the company mistakes are due to this one cause than all other causes coupled. Any habit can be stopped by constructing a different and more desirable habit in its location. This can be done by studying the habits of highly effective people.

2.3.2 Credit Habit and Financial Performance

Ramanujam and Vidya (2017) conducted a study on the effect of the credit repayment behavior of borrowers in India. The study concentered on borrowing frequency, interest paid on loans and their effect on borrower's credit repayment. The study established that the main economic factors influencing borrower behavior are revenue, patterns of spending, investment project costs and marketing success. The need for borrowing and the quantity of loan required depends on the project price for which the loan is sought. The culture of a person, admittedly, exerts the widest impact on his personality. People live in a cultural environment that encompasses history, values, morals, customs, art and language. Social psychologists view the social environment as the main determinant of both cognitive and perceptual bias. Man as a social being, is often affected by other people and by a community to which he belongs or aspires to belong. The fear of being ostracized by members of the church or club or reference groups might motivate a borrower to pay back a facility. Instead, poor friends and neighbors could influence one to default repayment of facility extended to him or her. Such psychological factors as motivation, perception, learning, beliefs and attitudes have a deep effect on the behavior of consumers.

Sadalia and Butar-Butar (2017) conducted a study on financial behavior and performance on small and medium enterprises in coastal area of Medan City. The study used 60 respondents to see effect of the behavior of financial management such as habits, field and capital on financial performance. To discover the amount of financial results between males and females, this study used dummy variable-gender. The test used descriptive and regression analysis as the methods and SPSS as the tool of analysis. The outcome showed that habits, field, capital, and gender significantly affect financial performance. While some habits have considerably beneficial effects on financial performance, there is no important impact on financial performance in the sector. Capital has no important impact on financial performance, and dummy variable explains that males have lower financial performance compared to females. The implication of the study explains that the owner of SMEs can manage their financial behavior which consists of habits, field and capital

Cucinelli (2015) conducted a study on the impact of non-performing loans on bank lending behavior in the Italian banking sector. The study concentrated on Annual change in amounts borrowed and its effect on bank lending behavior. The study established that lending to micro and small medium-sized enterprises (MSMEs) is essential for financial and social growth on the one side, it is considered extremely risky as lending decisions on the MSME industry are characterized by greater data asymmetry, especially in developing countries. Because asymmetric information between borrowers and lenders is a general characteristic of all credit markets around the globe, it is acute in the MSME segment as data that supports default prediction is often not properly, reliably and fairly revealed by MSMEs. Financial institutions ' lending choices are therefore not merely defined by borrowers ' demand for credit, but it is a matter of extensive inquiry of the loan repayment behaviors of prospective customers. Several variables combine to create one purchase or consume a product or service; or a borrower to repay a facility quickly or by default. As the environment changes, individuals tend to cope by changing their character. Thus bank borrowers' character is determined by economic, cultural, social, psychological, personal and political factors.

Ferrao and Ansari (2015) examined on the comparative study on credit card usage behavior across leading private sector banks in India. Someone's behavior is shaped by their personal history and experiences or occurrences in life that influence how they behave and conduct themselves. Men's and women's financial performance is distinct. Men and females are not only sexually but also mentally and behaviorally distinct. However, with certain constraints, their roles in society can be equated. Women are more likely to report using sound economic methods, but they also tend to score less on economic knowledge measures. If SMEs are correctly managed and managed, they may boost income and attract more staff in order to decrease unemployment and eventually enhance the economy of the country. High income yields imply an elevated performance level. Income should be greater than expenditures in order to be able to create a profit. Profitability is the best measure to determine if something has been done properly by the business.

Kosak, Li, Loncarski and Marinc (2015) investigated on quality of bank capital and bank lending behavior during the global financial crisis. Financial behavior attempts to clarify from a human point of view what, why and how economic and investment are. Financial behavior is a paradigm in which financial markets are studied using various Von Neumann-Morgenstern models which are the anticipated theory of utility and arbitration assumptions. In specific, there are two views for economic conduct: cognitive psychology and arbitration limitations. An individual's financial management conduct is linked to their financial understanding. The conduct of financial management is regarded one of the main financial discipline notions. Behaviors in economic leadership (habits, field, capital and gender) have an important impact on economic results. While in part, habits affect economic performance considerably. Having a lot of assets should be in equilibrium with financial management's habit, so it will lead to optimum results. Therefore, more public attention is needed to direct and nurture SMEs.

2.3.3 Investment Habit and Financial Performance

Fernandes, Lynch Jr and Netemeyer (2014) investigated on financial literacy, financial education, and downstream financial behaviors. Investment habits determine how an individual investor behaves, predicts, analyzes and reviews the procedures involved in making decisions on matters involving investments. The moods and behaviors of a person acts as determinant factors that help shape their investment preferences. The behavior of a person focuses on how an individual investor will interpret and make a final decision concerning their investments plans.

Mak and Ip (2017) conducted an exploratory study of investment behavior of investors. Investment decisions are made depending on the behavior and habit of a particular investor. The outcome of the agreed decision will either result into gain or a loss depending on a particular combination of strategy and state of nature prevailing at that time. The investor who is the decision, maker is perceived not to have a control over the future prevailing states of nature which can affect the outcome of any strategy that may have been adopted by the investor. This implies that the final decision of the investor will rely on the knowledge of the decision makers and the likely outcome of each strategy adopted.

Juliet (2017) conducted a study on behavioral factors that influence individual investment decisions at the Nairobi securities exchange. Investors mainly focus on maximizing their income and at the same time minimizing their expenses. Individuals are considered to behave rationally when pursuing their own benefits. Investment decisions are considered to be a significant driver of financial performance. Investments that are sound mind and well planned play a significant role in making and implementing the values of business shareholders. Most investment decisions aim at finding an optimal structure based on the quality and quantity of investor’s terms and conditions.

Ansari and Moid (2013) conducted a study on factors affecting investment behavior among young professionals. Investment habits influences the way a person behaves when it comes to matters involving investment decisions. With regard to consumerism attitude; most people believe that investment is only for those who have a stable income. The investment behavior helps in revealing the personal awareness and the perceived attitudes to risk in shaping the behavior and habits of an individual investor.

Athur (2014) conducted a study to assess the impact of behavioral biases on individual investment choices at the NSE. The findings of the study revealed that investor choices are affected by the illusion of bias in command, representation, herd instincts, cognitive dissonance, and hindsight biases. However, it has been shown that other behavioral variables such as self-attribution, risk aversion, over optimisms and loss aversion have no impact on the choices made by individual investors.

Amaraveni and Archana (2017) conducted a study on investor’s behavior towards various investment avenues in Warangal city. Investors have the responsibility of developing a positive vision, foresight, perseverance and drive. Making investment decisions has become a critical challenge that is faced by most investors. An optimum investment decision is considered to play a crucial role in designing the investment portfolio. The investment habit defines the financial goals and risk tolerance level of a particular investor.

Rikwentishe, Pulka and Msheliza (2015) conducted a study on the effects of saving and saving habits on entrepreneurship development. Investing is an essential instrument for accumulating capital which further enhances the growth and development of an economy. The investment habits require that there be more force of character than most people have developed. Investment habits should be based on the facts that investing entails self-denial and sacrifice of amusement and pleasures scored in different ways. This implies that one who develops a positive investment habit that involves courage, self-control, freedom for fear and self-confidence will successful achieve his or her investment targets.

Kengatharan, Lingesiya, and Navaneethakrishnan Kengatharan conducted a study on the influence of behavioral factors in making investment decisions and performance on investors of Colombo Stock Exchange, Sri Lanka. The investment habit plays a critical role in determining the decisions made by the investors. It is very important for the investors to understand the common behaviors that justify their reactions for better returns. Understanding the investment habits of investors will also help in providing an appropriate explanation regarding the final decisions made when it comes to matters concerning investment plans and policies.

Kimeu, Anyango and Rotich conducted a study on behavioral factors influencing investment decisions among individual investors in Nairobi Securities Exchange. Investors applying traditional financial school of thought to their investment choices must determine the intrinsic value of the securities in which they wish to invest. The study established that determination of intrinsic value is aimed at determining whether interest securities are overvalued or undervalued. This method involves the use of formulation and valuation methods. On the other side, behavioral finance postulates that investors make investment choices using their psychological understanding. In such investment decision-making processes, different thumb rules are implemented.

Shafi (2014) conducted a study in the factors affecting individual investor behavior across Arab countries. Descriptive research design was used to collect primary data from the respondents using structured questionnaires. The collected data was analyzed using SPSS and Excel. ANOVA was also used to assess whether there were important variations in the proponents surveyed means. The findings showed that self-image, accounting data; advocate recommendation, private economic needs, psychological variables, lifestyle, irrational thinking, ownership structure, bonus payment, dividends, previous business performance and anticipated corporate income influence the behavior of individual investors.

Wendo (2015) examined the factors influencing individual investor involvement in the NSE, using 105 proponents from the Nairobi County as her study topics. Descriptive research design was used to collect primary data from the respondents using structured questionnaires. The collected data was analyzed using SPSS and Excel. ANOVA was also used to assess whether there were important variations in the proponents surveyed means. The research discovered most investors to be risk-averse and prefer to invest more in real estate than in the stock market.

Islamoğlu, Apan and Ayvalı (2015) conducted a study to determine the factors affecting individual investor behaviors on bankers. Descriptive research design was used to collect primary and secondary data from the respondents using structured questionnaires. The collected data was analyzed using SPSS and Excel. ANOVA was also used to assess whether there were important variations in the proponents surveyed means. Investment decision is merely capital budgeting intended as the business decides how to spend its available resources in effective long-term assets that anticipate high yield flows. Investment decision was viewed as a risk management company, including risk analysis, portfolio management choices, dividend and income payments, and asset liability management. Risk analyzes are investment choices linked to variability that are likely to occur in future yields based on project kinds to be invested.

2.4 Conceptual Framework

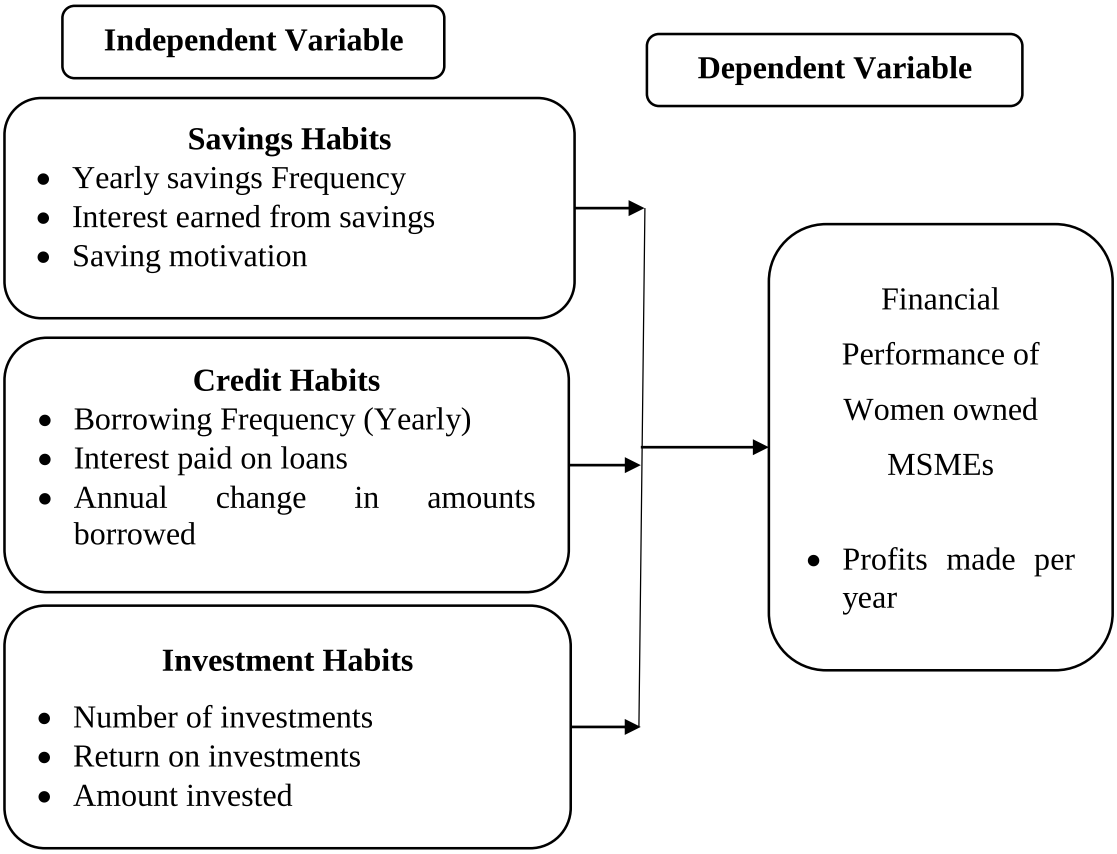

Figure 2.1: Conceptual Framework

2.4.1 Savings

Saving among women is low since in most occasions they reach out easily to the money they save when they there is financial problem at family level. However the importance of saving is supported by several research at both the individual and macroeconomic level (Karlan et al., 2014) Savings are the dominant source of credit, especially for initial capital, and the more saving the higher chances of starting and sustaining the businesses

2.4.2 Credit

In most occasions women are assumed to be more credit constrained than men, therefore women's access to credit should be expanded enable greater investments in generating income activities and ultimately to increase income and improve welfare for the household. Women access to a group lending microcredit model leads to increase in business creation rates, and profit growth (Attanasio et al., 2015). Therefore borrowing can boost business to grow

2.4.3 Investing

Thus investment is important for success and survival of any enterprise and depends on correct predictions and product decision of investors. One way that the impact of investment decisions made by owners can be assessed is by measuring the level of a firm's financial performance. According to Cohen and Klepper (1996), there is positive relationship between investment decision and firm's productivity through its financial performance.

2.4.4 Financial performance

Financial performance Evaluation is vital for the growth of any enterprise. For SMEs financial performance is measured by profitability and sales growth. Agha (2014) describes profitability as the ability of a company to earn profit and profitability is measured by incomes and expenses, where by income is the revenue generated from business activities. Therefore Profit is determined by deducting incurred expenses incurred during period of revenue generation from the revenue generated; meaning the higher the profit the better business is performing

2.5 Operationalization of variables

Table 2.1: Operationalization of Variables

Variable	**Proxy/Indicators**	**Measurement**
X1-Saving habit	Frequency of saving Interest received from saving	Likert Scale
X2- debt habit	Frequency of borrowing Number of loans in operation Interest paid from loans	Likert Scale
X3-investing habit	Amount invested Frequency of investing	Likert Scale
Y- financial Performance	Increase in profit	Likert Scale

2.6 Research Hypotheses

H_{01}: Saving habits have no significant effect on the financial performance of women owned Micro, Small and Medium Enterprises in Meru, Kenya.

H_{02}: Credit habits have no significant effect on the financial performance of women owned Micro, Small and Medium Enterprises in Meru, Kenya.

H_{03}: Investment habits have no significant effect on the financial performance of women owned Micro, Small and Medium Enterprises in Meru, Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the design of the research, target population, sampling and sampling procedure, research instrument, data collection procedure, pilot testing, data analysis and presentation and diagnosis tests

3.2 Research Design

A research design is framework that guides a researcher in knowing what to do in the whole process of research (Kothari, 2004). The study adopted a descriptive survey design to assess the effect of financial habit on financial performance of women owned MSMEs in Meru County, Kenya. Sekeran (2010) argues that descriptive research designs are preferred in scientific studies because they provide an opportunity to relate variable of the study and record information the way it is without manipulation.

According to Lewis, Saunders, Thornhill (2009), descriptive research design questions what, who, where, how and when of the problem. Thus descriptive research design was used because it enable the researcher to collect appropriate respondent opinions, analyze and interpret them in relation to the problem under investigation thus making accurate decisions. A both qualitative and quantitative approach was adopted during data analysis. The study adopted a descriptive research design so as to determine the interaction between financial habits and financial performance.

3.3 Target Population

Bryman and Bell (2011) regard a population as a group of objects, individuals' or items with observable characteristics that is common. The target population was 700 registered women owned MSMEs in Meru town (Meru County Revenue Department, 2019) to the best of my knowledge no records of exact number of registered women MSMEs because the county government of Meru have licensed and grouped all the business together both men and women and inclusive of micro, small, medium and large no separation and also after registration some business have either closed down or grown beyond medium sized entrepreneurship. Therefore the accessible population of registered women owned MSMEs within Meru town were estimated to be 700 being in different kind of business both in trade and services industry

3.4 Sampling Procedure and Sample Size

Sampling is process of predetermining the number of respondents or observations to be taken from the target population depending on the type of analysis to be performed. It gives a way of selecting particular parts of the population from whom data collected is done (Bryman & Bell, 2003). The study used the Krejcie and Morgan (1970) formula of determining sample size:

$S = X^2NP\ (1\text{-}P) \div d^2\ (N\text{-}1) + X^2P\ (1\text{-}P)$

Where S = required Sample Size

X^2 = the Table value of chi-square for 1 degree of freedom at the desired confidence level (3.841)

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

Therefore, S = 3.841 * 700*0.5(1-0.5) ÷ 0.05^2(700-1) + 3.841^2 *0.5 (1-0.5)

= 248

The sample size therefore was 248 respondents.

The study used simple random sampling to select the sample size of registered women owned MSEMEs in Meru town because to my best knowledge no criteria for grouping MSMEs that are owned by women. Also use of simple sampling was used to ensure that all target population members have an equal chance of inclusion in the study.

3.5 Research Instrument

The study used self-administered questionnaires to obtain primary data to from women MSMEs in Meru town. The questionnaire was made of both closed ended and open ended questions as per appendix I. The closed ended questions gave respondent an opportunity to respond from limited options that had been stated and open-ended question encouraged the respondent to give felt and in-depth response without holding back any information that is illuminating. The questionnaire also adopted the Likert scale which contained comparative set of data based on the respondent’s feelings and views. The first section had eight questions and the other four sections was Likert scale for each variable.

3.6 Pilot Test

Pilot testing of research instruments is necessary for revealing unclear instructions, vague questions, and to enable the researcher to improve the instruments efficiency (Cooper & Schindler, 2008). The instruments for the research were sent to five women MSMEs in Meru town and the piloted respondents were not included in the subsequent actual study. This involved administering the same questionnaire to the five women SMEs seven days prior to the actual day of the study: this enabled the researchers to check for any unclear and ambiguous questions.

3.61 Validity of the Instruments

According to Bryman and Bell (2011), validity refers to the instrument measure of correctness and relevance which is the accuracy and meaningfulness of inferences, based on the results of research. Techniques for Data collection must yield information that is correct and relevant to the research questions. Three basic approached that was adopted as suggested by Sekaran (2010) of testing the validity of the instrument include: content, construct, and criterion-related validity.

The main aim for testing validity is to identity aspects that may or may not measure the instrument consistency. Testing validity criterion, the researcher gave the questionnaires to a group of five women SMEs that was observed to exhibit the trait to be measured.

3.6.2 Reliability of Research Instruments

According to Lewis, Saunders and Thornhill (2009), research instrument reliability refers to the extent to which the used research instrument gives the same results on repeated trials.

Cronbach's Alpha formula was used to determine reliability of the instrument and to measure internal consistency by establishing whether a certain item is within a scale that measured the same constructs. When the value of Cronbach Alpha is greater than 0.7, it means that there is internal consistency and that a certain item is within a scale that measured the same constructs. When the value of Cronbach Alpha is less than 0.7, it means that internal consistency is questionable (Sekeran, 2010).

Table 3.1 presents the findings on Cronbach Alpha to determine internal measure of consistency.

Table 3.1: Reliability Results

Variable	Number of Items	Cronbach Alpha Coefficient
Saving habit	8	.762
Credit habit	9	.891
Investment habit	6	.741
Financial performance	7	.794

Table 3.1 indicates reliability of constructs on effect of financial habits on the financial performance of women owned Micro, small and medium enterprises in Meru town, Kenya. From the findings, saving habit had Cronbach Alpha coefficient α= 0.762, credit habit α= 0.891, investment habit α= 0.741 sand financial performance α= 0.794. Therefore, all the values of Cronbach alpha coefficients for the variables were over 0.7 which shows that the data used in the study was reliable.

3.7 Data Collection Procedure

The study secured a written research authorization from research management of KCA University before proceeding to collect data. The questionnaires was dropped and picked later where respondents had no time to respond immediately. However, where help was needed in answering of questionnaire the researcher employed research assistants to assist. The questionnaire had five section which included; General information section, Saving habit section, Credit habit section, Investment habit section and financial performance section. It took a whole week to collect data, where on average each respondent took 38 minutes to fill in the questionnaire.

3.8 Data Processing and Analysis

Analyzing involves ordering, categorizing, manipulating and summarizing of the collected data that answers the research questions. Quantitative data was used to analyze using descriptive statistics where frequencies, percentages, means, and standard deviations of the variables selected. Linear regression model was used to estimate the effect of financial habit on the financial performance of women SMEs in Meru town.

The findings were presented using tables and figures. Statistical Package for Social Sciences (SPSS (version 24.0) was used in data analysis. The following regression analysis was used to estimate the effect of financial habits on the financial performance of women owned MSMEs

The regression model of the study is as follows: $Y = \beta + \beta 1X1+\beta 2X2+\beta 3X3+ e$

Where: Y – Financial performance of women owned enterprises:

B – Constant; X1 – Saving habit

X1 – Saving habit

X2 – Debt habit

X3 – Investing habit

e – Error term

3.8.1 Diagnostic Tests

Before carrying out regression analysis, the researcher tested for multicollinearity, heteroskedasticity and normality to ascertain the appropriateness of data for analysis.

The study carried out normality, heteroskedasticity and multicollinearity tests to ensure that the data set does not violate regression assumptions. Normality test was done to determine whether the data set is normally distributed and that the data set is well-modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed. Normality tested the likelihood that the collected data relating to a certain phenomenon is normally distributed over the population sample (Park, 2015). Normality was tested using Skewness and Kurtosis. Values of between -2 or +2 indicates that the data is normally distributed (Kothari).

Heteroskedasticity test is useful in examining whether there is difference in residual variance of the observation period to another period of observation (Godfrey, 2008). The researcher used Scatter plots to test for Heteroskedasticity. Data points on scatter plots with clearly established patterns suggested that the data set has heteroskedasticity.

Multicollinearity is a phenomenon in which one predictor variable in a multiple regression model can be linearly predicted from the others with a substantial degree of accuracy. It is a situation where one of the dependent variables in the model is highly related with the independent variable (Pituch & Stevens, 2015). Multicollinearity was tested using

Variance of Inflation Factor (VIF). In essence, VIF values of between 1 and 10 suggest that there is no multicollinearity in the data set.

3.9 Ethical Considerations

A letter of introduction was obtained from the KCA University detailing the purpose of this study. It helped in assuring the respondent that the information was only for the purpose of study only therefore they didn't resist in filling the questions. The principle of voluntary participation was strictly adhered to. The respondents were not coerced into participating in the research. The purpose of the study was explained to each targeted respondent.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

The data that was collected is analyzed and presented in this chapter. The study used primary data collect to collected information on the effect of saving habits, Credit habits, investment habits on financial performance. Data was cleaned before the study could start on the analysis. On the presentation of the findings, the study used table and figures to bring out the effect of the statement formed in each variable on financial performance.

4.1.1 Response Rate

While collecting data from the field, a total of 248 questionnaires were issued to respondents of the study. From these instruments, 176 of them were completely filled up and returned to the researcher. This resulted to 71.0% rate of the response. The response ratio was good to make statistical conclusion and the findings was also in line with Yin (2017) who noted that adequate studies should be supported by response rate above 70%.

4.2 Background Information

In this section, the findings on the background of the respondent that were part of this study was presented, taking into account there age, positions they hold in the business, number of years that they have worked in the organization, number of employees they have in their organization and number of years they have been in operation.

4.2.1 Type of the Business

The study determined the type of the business that the respondents were dealing with. the result on this was presented in Table 4.1

Table 4.1: Type of the Business

	Frequency	Percent
Saloon	24	13.6
General Retail Shop	56	31.8
Tailoring	21	11.9
Vegetables and Fruits	66	37.5
Hotel	9	5.1
Total	**176**	**100.0**

Most of the respondents indicated that they were selling vegetables and fruits with 37.5%, 31.8% were operating general retail shop, 11.9% tailoring, 13.6%, were operating saloon and hotel with 5.1%. From the findings it is evident that the study covered a wide variety of MSMEs therefore diversity in the findings was critically observed.

4.2.2 Age Group of the Respondents

The study determined the age group of the individual that were included in the study. The finding on this in Table 4.2

Table 4.2: Age Group of the Respondents

	Frequency	Percent
Less than 18	20	11.4
18-30	50	28.4
30-40	64	36.4
Above 40	42	23.9
Total	**176**	**100.0**

From Table 4.2, majority of the respondents 36.4% were 30-40 years, 28.4% were 18-30 years, 23.9% were over 40 years while 11.4% were less than 18 years. This means that there eas gender diversity in selection of respondents who took part in the study and thus diverse views and opinions were sought as it regards their financial habits.

4.2.3 Position of the Respondents in the Business

The study determined the position that the respondents occupy in the respective business in terms of ownership. The finding in Table 4.3

Table 4.3: Position of the Respondents in the Business

	Frequency	Percent
Only Owner	129	73
Partner	32	18
Other	15	9
Total	**176**	**100.0**

From the findings, 73% of the businesses were operated by the owner only, 18% were under partners operation and 9% were operated by other method which majority identified as family ownership. This finding gives the study some ground as majority of MSMEs operating in Meru County are single owned and the owner operates it according to Meru County survey of 2018.

4.2.4 Number of Year in Operation

The study sought to determine the years that the respective businesses had been in operation. The finding in Table 4.4

Table 4.4: Number of Year in Operation

	Frequency	Percentage
Less than 1 year	18	10.2
1-3 Years	63	35.7
4-7 Years	55	31.3
8-10 Years	24	13.9
Over 10 Years	16	8.9
Total	**176**	**100.0**

Table 4.4 indicates that majority of the studied firms (35.7%) had been in operation for 1-3 years, 31.3% for 4-7 years, 13.9% for 8-10 years, 10.2% for less than a year. This shows that most of the studied firms had been in operation for a longer period of time and thus suitable to be used as case studies.

4.2.5 Number of Employees

The study determines the number of employees that the business had at the time of the study. The finding in Table 4.5

Table 4.5: Number of Employees

	Frequency	Percent
1-3	45	25.6
4-6	109	61.9
More than 6	22	12.5
Total	**176**	**100.0**

Table 4.4 indicates that most of the studied firms 61.9% had 4-6 employees, 25.6% had 1-3 employees while 12.5% had over 6 employees. This shows that the studied firms were in the category of Small and Medium Sized categories of business on the basis of their employee base.

4.2.6 Education Level of the Respondents

The study also determined the education level of the respondents that were part of the study. The finding in Table 4.6

Table 4.6: Education Level of the Respondents

	Frequency	Percent
O-level	34	19
Certificate	85	48
Diploma	30	17
Degree	19	11
Masters	8	5
Total	**176**	**100.0**

From the findings, 48% of the respondent had certificate, 19% were O-level and 17% had diploma, 11% degree and 5% masters. This means that respondents of the study were learnt and thus able to handle the research questions on financial habits and financial performance.

4.2.7 Source of Capital

The study sought to determine the respondent's sources of capital. The finding in Table 4.7

Table 4.7: Source of Capital

	Frequency	Percent
Saving	38	21.6
Borrowing	120	68.2
Friends and family	18	10.2
Total	**176**	**100.0**

From the findings, 68.2% of the respondents get there capital from borrowing, 21.6% from saving and 10.2% friends and family. It can be inferred that the studied firms had various sources of capital which implies diversity of the financial habits.

4. 3 Descriptive Statistics

This section records the findings of the analysis as per the objective of the study. The study used measure of central tendency and distribution rate to present the finding. This was done taking into consideration the specific variables.

4.3.1 Saving Habit and Financial Performance

The study formulated several statements on Saving Habit; the respondents were required to respond to this statement using the point scale provided on each statement. The finding in Table 4.8

Table 4.8: Saving Habit and Financial Performance

	Mean	Std. Dev
I save part of my business profit/income monthly	3.54	1.052
I set some money aside for emergencies	3.67	1.192
I use my savings to expand my business	3.70	1.076
I save regularly to improve my loan amount application	4.16	1.273
I started this business with personal savings	3.65	1.104
I use my savings to finance business operations	3.90	1.154
I started saving even before starting this business	3.31	1.304
I have a target to which I need to grow my savings	3.66	1.298

The respondents established that they saved regularly to improve their loan amount application (M=4.16, SD=1.273). The respondents indicated that they used their savings to finance business operations (M=3.90, SD=1.154). The respondents agreed that they used their savings to expand their business (M=3.70, SD=1.076). The respondents indicated that they set some money aside for emergencies (M=3.67, SD=1.192). The respondents revealed that they had a target to which they need to grow their savings (M=3.66, SD=1.298). The respondents established that they started this business with personal savings (M=3.65, SD=1.104). The respondents indicated that they saved part of their business profit/income yearly (M=3.54, SD=1.052). The respondents either agreed or disagreed that they started saving even before starting this business (M=3.31, SD=1.304).

4.3.2 Credit Habit and Financial Performance

The study formulated several statements on Credit Habit; the respondents were required to respond to this statement using the point scale provided on each statement. The finding in Table 4.9

Table 4.9: Credit Habit and Financial Performance

	Mean	Std. Dev
I borrow loans to finance business opportunities	3.73	1.442
I borrow loans to meet my personal needs as they arise	3.27	1.244
I take a loan when an opportunity to borrow occurs	3.44	1.184
I borrow a loan to discipline my spending behavior	3.69	1.189
I take a loan whenever my friends are applying for one	3.66	1.198
I know more than one loan product I can qualify for	3.77	1.407
The interest I pay on loans is manageable	3.45	1.250
I have used loans to start my business	3.48	1.211
Loans/borrowing has boosted my business	3.58	1.054

The respondents agreed that they knew more than one loan product they could qualify for (M=3.77, SD=1.407). The respondents agreed that they borrowed loans to finance business opportunities (M=3.73, SD=1.442). The respondents revealed that they borrow a loan to discipline their spending behavior (M=3.6, SD=1.189). The respondents established that they take a loan whenever their friends were applying for one (M=3.66, SD=1.198). The respondents agreed that loans/borrowing had boosted their business (M=3.58, SD=1.054). The respondents either agreed or disagree that they had used loans to start their business (M=3.48, SD=1.211). The respondents either agreed or disagree that the interest they pay on loans is manageable (M=3.45, SD=1.250). The respondents either agreed or disagree that they took a loan when an opportunity to borrow occurs (M=3.44, SD=1.184). The respondents either agreed or disagree that they borrow loans to meet their personal needs as they arise (M=3.27, SD=1.244).

4.3.3 Investment Habit and Financial Performance

The study formulated several statements on Investment Habit; the respondents were required to respond to this statement using the point scale provided on each statement. The finding in Table 4.10

Table 4.10: Investment Habit and Financial Performance

	Mean	Std. Dev
I have invested in more than one business venture	3.72	1.188
My investments is guided by returns	3.57	1.174
My investment is directed by the needs of my customers	3.62	1.088
I review my investment plans more regularly	3.73	1.442
I have invested more than 90% of all my loans	3.76	1.084
I normally have a number of investment opportunities to choose from when investing	3.89	1.111

The respondents established that they normally had a number of investment opportunities to choose from when investing (M=3.89, SD=1.111). The respondents agreed that they had invested more than 90% of all their loans (M=3.76, SD=1.084). The respondents established that they reviewed their investment plans more regularly (M=3.73, SD=1.442). The respondents established had invested in More Than One business venture (M=3.72, SD=1.188). The respondent indicated that their investment is directed by the needs of their customers (M=3.62, SD=1.088). The respondents established that their investments was guided by returns (M=3.57, SD=1.174).

4.3.4 Financial Performance

The study formulated several statements on Financial Performance; the respondents were required to respond to this statement using the point scale provided on each statement. The finding are shown in Table 4.11.

Table 4.11: Financial Performance

	Mean	Std. Dev
My sales turnover has been increasing over the last five years	3.75	1.172
My profits have been on the increase over the last five years	3.92	.888
My operating expenses have been on the decrease over the last five years	3.93	1.039
The number of business I own has been increasing over the last five years	3.84	1.007
Am happy with the growth of my business	3.53	1.135
I believe my business will survive for the next five years with revenue growth	3.52	1.120
My business has been expanding yearly since I began	3.80	1.179

The respondents agreed that their operating expenses had been on the decrease over the last five years (M=3.93, SD=1.039). The respondents agreed that profits had been on the increase over the years of operation (M=3.92, SD=.888). The respondents agreed that the number of business they own had been increasing over the last five years (M=3.84, SD=1.007). The respondents established that they business has been expanding yearly since they began (M=3.80, SD=1.179). The respondents established that their sales turnover had been increasing over the last five years (M=3.75, SD=1.172). The respondents stated that they are happy with the growth of their business (M=3.53, SD=1.135). The respondents agreed that they believe their business would survive for the next five years with revenue growth (M=3.52, SD=1.120).

4.4 Diagnostic Tests

Suitability of the data that has been used in the study was determined by diagnostic test. The results are presented in the subsections below.

4.4.1 Multicollinearity

Multicollinearity was conducted to determine whether one of the variables of the study was highly correlated. Variance of Inflation Factor (VIF) was used in testing for multicollinearity as shown in Table 4.12.

Table 4.12: Collinearity Statistics

	Collinearity Statistics	
	Tolerance	**VIF**
Saving habit	.914	1.094
Credit habit	.860	1.163
Investment habit	.905	1.105

a. Dependent Variable: financial performance

From the findings in Table 4.12, the values of VIF are all within a range of 1-10, therefore multicollinearity in was not an issue in the study, thus the data was suitable for regressing financial habits against financial performance.

4.4.2 Heteroskedasticity

The study conducted heteroskedasticity analysis to determine whether there is a relationship between the variables.

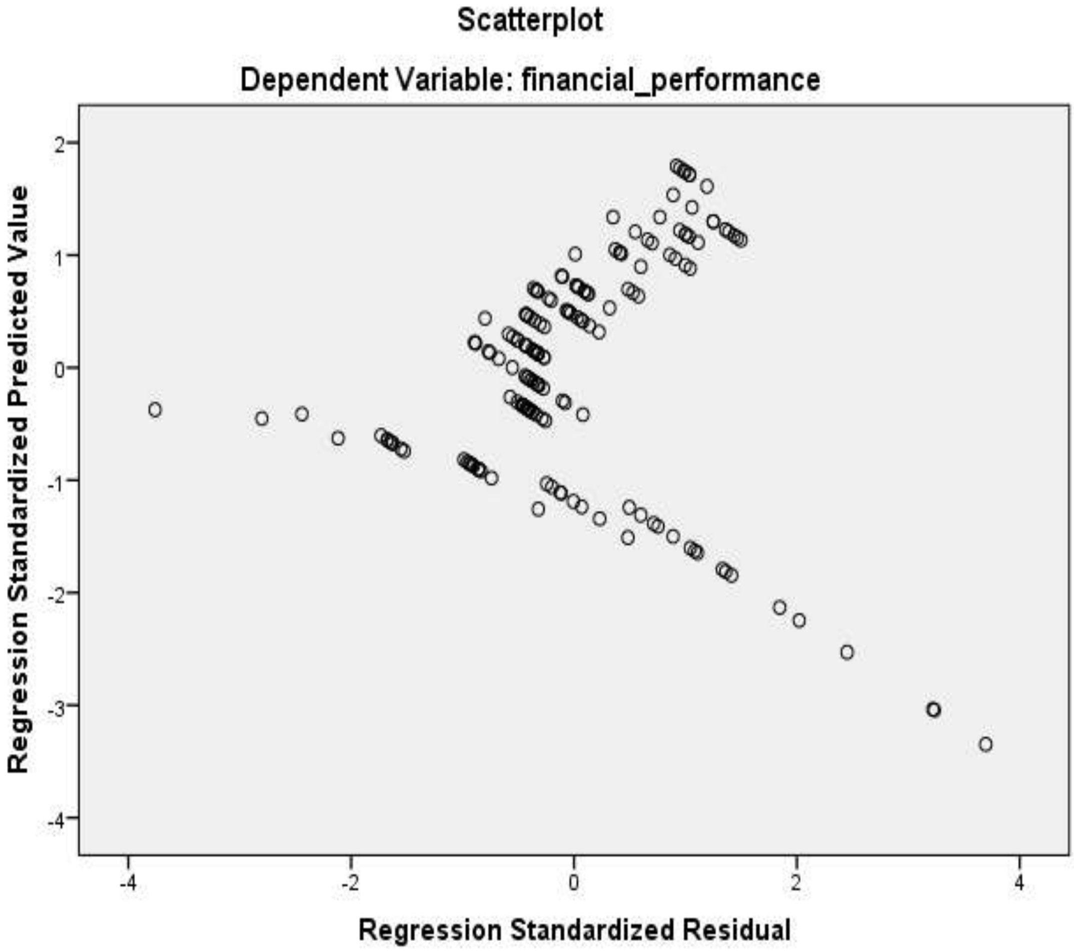

Figure 4.1 Heteroskedasticity

From Figure 4.1, the scatter plot depicts the observations that are spread all over with no clearly established pattern. Merima *et al.*, (2013) argues that data points in as cater plot that are largely spread with no pattern indicate absence of heteroscedasticity. Thus, the data set used for the study was suitable for conducting inferential statistics including regression analysis.

4.4.3 Normality

Normality tests are used to identify the distribution pattern of the data. Its tests whether the data normally distributed or not. Table 4.13 presents the finding on this.

Table 4.13: Normality

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Saving habit	176	-.666	.183	.633	.364
Credit habit	176	-.186	.183	.342	.364
Investment habit	176	-.485	.183	.097	.364
Financial performance	176	.364	.183	-.606	.364

The findings in Table 4.13 show the values of Skewness and Kurtosis. From the findings, the values of Skewness and Kurtosis for all the variables were between -2 and +2; this is in line with Kothari (2004) who indicated that normal distribution have values of Skewness within the range of +or -2. It can be inferred from this finding that the data set was normally distributed and thus suitable for carrying out regression analysis in the subsequent sections.

4.5 Model Fitting

Regression analysis was conducted to assess how financial habits have affected the financial performance of women owned MSMEs in Meru town, Kenya. The findings are shown presented in the sub-tittles below

4.5.1 Model Summary

The summery of the model that was used in the study is on Table 4.14

Table 4.14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.838[a]	.701	.696	2.38394

a. Predictors: (Constant), investment habit, saving habit, credit habit

From Table 4.14, the value of the coefficient of correlation is .838; this means that there exists a strong relationship between financial habits and financial performance. The value of R square is .701; this shows that 70.1% change in financial performance is explained by investment habit, saving habit, credit habit. Therefore there are other factors other than investment habit, saving habit, credit habit that affect financial performance of MSMEs in Meru town, Kenya.

4.5.2 Analysis of Variance

Table 4.15 presents the findings on ANOVA which was performed at 0.05 level of significance.

Table 4.15: Analysis Of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	2296.674	3	765.558	134.706	.000[b]
1	Residual	977.508	172	5.683		
	Total	**3274.182**	**175**			

a. Dependent Variable: financial performance
b. Predictors: (Constant), investment habit, saving habit, credit habit

As shown in Table 4.15, the value of F calculated is 134.706 while F critical as determined at degrees of freedom 3 and 172 is 2.657. Since F calculated is greater than F critical, it can be deduced that the overall regression model used in the study was significant and thus suitable for use in this study.

4.5.3 Regression Coefficients and Significance

The beta coefficients of the regression model were used in determining the direction while significance was determined by the p-values. The findings are shown in Table 4.16.

Table 4.16 Regression Coefficients and Significance

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	8.172	1.901		4.299	.006
Saving habit	.250	.051	.824	4.906	.000
Credit habit	.351	.152	.059	2.312	.001
Investment habit	.147	.056	.028	2.629	.000

a. Dependent Variable: financial performance

From Table 4.16, the following equation is formulated;

$$\mathbf{Y=-8.172+.250X_1+.351X_2+.147X_3}$$

Where:

Y is financial performance of women owned enterprises.

X1 – Saving habit

X2 – Debt habit

X3 – Investing habit

The results in Table 4.17 indicate that with other factors kept at constant level, the financial performance of MSMEs in Meru town, Kenya would be at 8.172. The finding also revealed that any positive deviation on saving habit financial performance of these MSMEs by 0.250. An increase in Credit habit would increase financial performance of MSMEs by 0.351. An increase in Investment habit also would increase financial performance of MSMEs would be at 0.147.

Thus, at 0.05 level of significance, the study revealed that saving habit at 0.000 ($p<0.05$) has positive and significant effect financial performance of women owned enterprises. Credit habit at 0.001 ($p<0.05$) also has a positive and significant effect on financial performance of women owned enterprises. Investment habit at 0.000 ($p<0.05$) also has a positive and significant effect on financial performance of women owned enterprises. The inference drawn from these findings is that financial habits have significant effect on financial performance. Thus, based on these findings, the study rejects all the formulated null hypotheses.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study based on the specific objectives. The conclusion is provided as informed by the findings of the study from the analysis. Recommendations of the study are also pointed out on each of the objectives of the study.

5.2 Summary of the Findings

This section presents the summary of the analyzed findings of the study of the three independent variables that is Saving habit, Credit habit and Investment Habit. The dependent variable of the study was financial performance. It was shown that operating expenses had been on the decrease over the last five years. This finding is in line with Rikwentishe, Pulka, and Msheliza (2015) who established that saving improves the growth of individual entrepreneurship because by use of savings to finance business no or less loan interest paid monthly or yearly depending on whether business was fully funded by savings or borrowing. The change has been evident as result of the financial assistance that they have received as propel there businesses to grow and improved their business operation over the past years. This is because profit is determined by deducting incurred expenses incurred during period of revenue generation from the revenue generated; meaning the higher the profit the better business is performing. The respondents agreed that profits had been on the increase over the years of operation. This finding is in line Nwodo, Ozor and Okekpa (2017) who indicated If SMEs are correctly managed and managed, they may boost income and attract more staff in order to decrease unemployment and eventually enhance the economy of the country. High income yields imply an elevated performance level. Income should be greater than expenditures in order to be able to create a profit. Profitability is the best measure to determine if something has been done properly by the business and is always done at end of a financial year.

The respondents agreed that the number of business they own had been increasing over the last five years. This finding concurred with Teshome, Kassa, Emana and Haji (2014) established that that loans and saving have increased the amount of capital that are in entrepreneurs hand to start businesses membership into microfinance group actually improves the savings rate among company owners. For most entrepreneurs however, the savings motivation is to purchase more stock for their business and even for company development. The study also found that small business owners are paying a great deal of attention to loans with helps finance their business to greater heights. Based on the results, attempts have been made to reorient company owners and financial institutions to increase the awareness aim at increasing saving and loan application to ensure that on more business are developed. Microfinance companies have developed strategies that attempt to reach out to the masses in order to attract large amounts of savings and loans application from them, and that government does more to inform people about the true motives of being your own boss

The respondents established that they business has been expanding yearly since they began. This finding concurred with Teshome, Kassa, Emana and Haji (2014) established that it is often difficult for people with low incomes to save. Saving and loans improves the growth of individual entrepreneurship. This is the most attractive, easiest and safest source of capital that can be used in stating and maintaining small businesses. This can be achieved by saving, loan application and heavy investment regularly. It also reduces the cost of operation because and reduces risk of business bankruptcy because there is steady availability of funds to run the business. The respondents established that their sales turnover had been increasing over the last five years. This finding is concurrent with Kengatharan (2014) who established that Agha (2014) describes profitability as the ability of a company to earn profit and profitability is measured by incomes and expenses, where by income is the revenue generated from business activities. Therefore Profit is determined by deducting incurred expenses incurred during period of revenue generation from the revenue generated; meaning the higher the profit the better business is performing. Therefore, financial performance evaluation is very vital for the growth of any enterprise. For SMEs financial performance is measured by profitability and sales growth and profits

The respondents stated that they are happy with the growth of their business (. Similarly, this finding is in line with Agha (2014) who described profitability as the ability of a company to earn profit and profitability is measured by incomes and expenses, where by income is the revenue generated from business activities. Therefore Profit is determined by deducting expenses incurred during period of revenue generation from the revenue generated; meaning the higher the profit the better business is performing. Therefore, financial performance evaluation is very vital for the growth of any enterprise. For SMEs financial performance is measured by profitability and sales growth and profits, the main core of any business is to make profits, there is nothing more satisfying as a business that is living its dreams. The respondents agreed that they believe their business would survive for the next five years with revenue growth. A research study by KNBS (2013), reported about 58% of women owned MSEs who could not survive two years after being established, this theory have been changed drastically and the profits are now flowing because of the initiatives that have been put by the business owners and the financial institution to increase funds in the business through saving and loans. This ensures that the businesses are having enough funds that are necessary to finance business operations.

5.2.1 Saving Habit and Financial Performance

Thus, at 5 level of significance, the study established that saving habit ($p<0.05$) has positive and significant effect financial performance of women owned enterprises. According to Ting and Kollamparambil (2015), saving improves people's development. Using the personal fund to start or expand a small business is the most appealing, simplest and theoretically safest. Poor savings among the lower-class business owners were a source of concern even to the state; thus, the government was encouraged to enact steps to assist these business owners' classes. The amount of savings is still very small and the rate of savings is rising effectively.

The respondents agreed that they knew more than one loan product they could qualify for. This finding is in line with Ramanujam and Vidya (2017) who that the main economic factors influencing borrower behavior are revenue, patterns of spending, investment project costs and marketing success. Depending on the project price for which the loan is required, the need for lending and the amount of loan necessary. Financial institution takes this into consideration when it designing different types of loan. This provides the business with a various types of loans. For that reason business have been presented with various products of loans that they can use in making sure that there business are operating as expected. These loan types are constantly communicated to the customers to clarity.

The respondents established that they saved regularly to improve their loan amount application. As per Rikwentishe, Pulka, and Msheliza (2015), saving improves the growth of individual entrepreneurship either by investing the savings directly to the business or attaining loan through saving patterns. Saving is the most attractive, easiest and safest source of capital that can be used in starting and maintaining small businesses. This can be achieved by saving and investing regularly. It also reduces the cost of operation because with the use of savings no interest is paid thus reducing cost of capital and increasing profits.

The respondents indicated that they used their savings to finance business operations. This finding is in line Nwodo, Ozor and Okekpa (2017) who indicated that membership of a microfinance community increases the level of savings of business owners which in turn is used to finance operations of the business. It is therefore important to support and initiate saving among business members to ensure that their business are improving not only from saving itself but also from interest earned through financial institutions deposits.

The respondents agreed that they used their savings to expand their business. This finding didn’t concur with Teshome, Kassa, Emana and Haji (2014) who established that it is often difficult for people with low incomes to save. Saving improves the growth of individual entrepreneurship. This is the most attractive, easiest and safest source of capital that can be used in starting and maintaining small businesses. This can be achieved by saving and investing regularly. It also reduces the cost of operation because with the use of savings no interest is paid thus reducing cost of capital and increasing profits which can be reinvested in expanding the business.

The respondents indicated that they set some money aside for emergencies. According to Anang, Dawuda and Imoro (2015), without saving funds, the individual suffers in two ways: first, by being unable to stop company opportunities that only come to the person with some prepared money, and second, by being embarrassed by some unexpected emergency calling for money. This saving is basically to control any problem or emergencies that arise in the course of business operation such as employees' accidents and sicknesses in course of business, occurrence of natural calamities like floods and fire.

The respondents revealed that they had a target to which they need to grow their savings. According to Abadi Dirar, Berhanu, Getachew and Azadi (2017), there has been a growing awareness that domestic economies have a strong tendency to grow and increase savings and investment rates more rapidly. From the above, it is clear that savings are strongly associated with spending. Therefore business owners' sets saving targeted that will allow them to control improve their business and increase their credit level.

The respondents established that they started this business with personal savings. This finding is concurrent with Rikwentishe, Pulka, and Msheliza (2015) who established that saving improves the growth of individual entrepreneurship as it is the lowest capital cost. Use personal funds to start or expand a small business are the most appealing, simplest and potentially safest. This can be done by daily savings and investments. Typically this precludes any problems such as bank lending situations, debt strangulation and hangovers, dilutions of capital, and any kind of intervention. To micro-enterprises, this financial type is fine. This helps keep the company private and at a small but steady rate, away from enticing loans for a reasonable period of time, until the ability to search for funding from other sources is open.

The respondents indicated that they saved part of their business profit/income yearly. According to Teshome, Kassa, Emana and Haji (2014), it is often hard for people whose incomes are small to save. However, income saving is part of the sources of capital that businesses ought to explore. The establishment of industrial banks, people's banks, encouragement of different saving and corporate organizations, loan guarantee schemes and grants, which are intended to increase income since savings, is a function of income.

The respondents either agreed or disagreed that they started saving even before starting this business. As per Villanueva (2017), established that saving comes with character and it requires ones dedication. It therefore needs self-denial which comes with a lot of sacrifices. This therefore means that someone who has these qualities will be able to develop and or create a saving pattern. But it is notable that not everybody can develop these characters therefore need to be mobilized to start saving.

5.2.2 Credit Habit and Financial Performance

An increase in credit habit would increase financial performance of women owned Micro, Small and Medium Enterprises by .351. This finding is in line with Sadalia and Butar-Butar (2017) who showed that habits, field, capital, and gender significantly affect financial performance. While some habits have considerably beneficial effects on financial performance, there is no important impact on financial performance in the sector. Capital has no important impact on financial performance, and dummy variable explains that males have lower financial performance compared to females. The implication of the study explains that the owner of SMEs can manage their financial behavior which consists of habits, field and capital.

Credit habit ($p<0.05$) also has a positive and significant effect on financial performance of women owned enterprises. This finding is supported by Cucinelli (2015) who established that lending to MSMEs is essential for financial and social growth on the one side, it is considered extremely risky as lending decisions on the MSME industry are characterized by greater data asymmetry, especially in developing countries. Since asymmetric information among borrowers and lenders is a general feature of all credit markets around the globe, it is severe in the MSME segment as MSMEs frequently struggle to adequately, accurately and reasonably disclose data which supports default prediction. Therefore, the borrowing options of financial institutions are not simply determined by borrowers ' request for credit, but it is a matter of extensive investigation of prospective customers ' loan repayment habits. Many variables combine to create a single purchase or consume a product or service; or a lender to easily or by default repay a facility. As the environment changes, by modifying their personality, individuals tend to cope. Financial, cultural, social, emotional, personal and political factors therefore decide the character of bank borrowers.

The respondents agreed that they knew more than one loan product they could qualify for. This finding is in line with Ramanujam and Vidya (2017) who that the main economic factors influencing borrower behavior are revenue, patterns of spending, investment project costs and marketing success. Depending on the project price for which the loan is required, the need for lending and the amount of loan necessary. Financial institution takes this into consideration when it designing different types of loan. This provides the business with a various types of loans. For that reason business have been presented with variously of loans that they can use in making sure that there business are operating as expected. These loan types are constantly communicated to the customers to clarity.

The respondents agreed that they borrowed loans to finance business opportunities. This finding is in line with Ramanujam and Vidya (2017) who showed the main reason for financial assistance is capital to start a business, this is because many financial assistant is designed by financial institutions to finance business. Therefore majority of the business owners acquires loans basically to finance their business either by increasing their stock or improving their overall operation through technological innovation or payment of operation in the business.

The respondents revealed that they borrow a loan to discipline their spending behavior This finding is supported by Kosak, Li, Loncarski and Marinc (2015) who stated that an individual's financial management conducts is linked to their financial understanding. The conduct of financial management is regarded as one of the main financial discipline notions. Business owners may prefer to pay their outstanding loan more because of the consequences and rigidity that can with loan repayment. This forces them to stick to the repayment plans to avoid reparation's that comes with non-repayment of loans.

The respondents established that they take a loan whenever their friends were applying for one. This finding is encored by Ramanujam and Vidya (2017) who established that man as a social being, is often affected by other people and by a community to which he belongs or aspires to belong. The fear of being ostracized by members of the church or club or reference groups might motivate a borrower to acquire loan due to per influence. Poor friends and neighbors could influence one to acquire loan to improve their living standards.

Such psychological factors as motivation, perception, learning, beliefs and attitudes have a deep effect on individual access to financial assistance.

The respondents agreed that loans/borrowing had boosted their business. This finding is in line with Ferrao and Ansari (2015) who indicated that if SMEs borrows or acquires loan they may boost income and attract more staff which increase the organization work force and the capital ensured the all the organization operation are running uninterrupted. This therefore increases business performance which intern increases the profit index of the organization.

The respondents either agreed or disagree that they had used loans to start their business. This finding is in line with Rikwentishe, Pulka, and Msheliza (2015) who established that the most attractive, easiest and potentially safest is the use of personal funds to start or grow a small business. This can be achieved by saving and investing regularly. However, some of the individuals use bank loans grants to start their business. Therefore there is a fifty percent chance of starting a business using loans or using personal savings.

The respondents either agreed or disagree that the interest they pay on loans is manageable. According to Ramanujam and Vidya (2017) established that the main economic factors influencing borrower behavior are revenue, patterns of spending, investment project costs and marketing success. This economic factor varies every day due to changes that are experienced in the world of business. The need for borrowing and the quantity of loan required depends on the project price for which the loan is sought. The banks design there payment schedules and plan in line with the customers economic conditions. However, due to changes that occurs in the economy, business owners may be affected by these changes that intern affecting there payment plan

The respondents either agreed or disagree that they took a loan when an opportunity to borrow occurs. This finding is in line with Ramanujam and Vidya (2017) who that Revenue, spending patterns, investment project costs and advertising performance are the main economic factors influencing borrower behavior. Depending on the project price for which the loan is required, the need for lending and the amount of loan necessary one may or may not opt to use the opportunity. This means MSMEs may choose to borrow when an opportunity to raise revenue, spend and invest in a project arise and one doesn't have money at hand she borrows money to finance the need or project on the other hand when lenders advertise their loan products the MSMEs get interested in the loan products which becomes opportunities to borrow.

The respondents either agreed or disagree that they borrow loans to meet their personal needs as they arise. This finding is in line with Safi (2014) who showed that self-image, accounting information, advocate recommendation, personal financial needs, psychological factors, lifestyle, irrational thinking, ownership structure, bonus payment, dividends, past company performance and expected corporate earnings influences individual investors' behavior. Satisfying personal need is one of the reasons that propel individual to seek for financial assistance, whether they are personal in terms of business investment or living standards.

5.2.3 Investment Habit and Financial Performance

An increase in investment habit also would increase financial performance of women owned Micro, Small and Medium Enterprises. This finding is supported that Athur (2014) who established that investor choices are affected by the illusion of bias in command, representation, herd instincts, cognitive dissonance, and hindsight biases. However, it has been shown that other behavioral variables such as self-attribution, risk aversion, over optimisms and loss aversion have no impact on the choices made by individual investors.

Investment habit ($p<0.05$) also has a positive and significant effect on financial performance of women owned enterprises. This finding is concurrent with Kengatharan (2014) who established that that overconfidence has an adverse effect on investment choices, anchoring influences investment choices positively, and herding has an adverse effect on investment choices. As per Shafi (2014), self-image, accounting data; advocate recommendation, private economic needs, psychological variables, lifestyle, irrational thinking, ownership structure, bonus payment, dividends, previous business performance and anticipated corporate income influence the behavior of individual investors.

The respondents established that they normally had a number of investment opportunities to choose from when investing. According to Kimeu, Anyango and Rotich (2016), some regions that are highly populated and surrounded by rich agricultural areas make the areas investment hubs of mobility and exchange which is the case in this area of study Meru County under Mount Kenya Region. This attracts entrepreneurs from other areas who to position themselves to take advantage of various thriving business opportunities and developed infrastructure raising more investment opportunities. Therefore, investment choices are linked to variability that is likely to occur based on project profitability also is linked to information and literacy on investment products that contributes to investment habit.

The respondents agreed that they had invested more than 90% of all their loans. This finding is supported that Athur (2014) who established that investor choices are affected by the illusion of bias in command, representation, herd instincts, cognitive dissonance, and hindsight biases. However, it has been shown that other behavioral variables such as self-attribution, risk aversion, over optimisms and loss aversion have little impact of their investment records. Majority of business invest a larger percentage of the loan they have acquired for its specific purpose. However, around 10% of the loans acquired are majorly used by the business owners for personal use. This is done to ensure that the organization is able to repay its required installment for the loan and also able to maximize their performance to attain there objectives.

The respondents established that they reviewed their investment plans more regularly. This means they borrow money to invest. This finding is in line with Kimeu, Anyango and Rotich (2016) who identified that intrinsic value is used to determine investment plan which is aimed at determining whether interest securities of the business is are overvalued or undervalued. This method involves the use of formulation and valuation methods. However, behavioral finance postulates that investors make investment choices using their psychological understanding. In such investment decision-making processes, different thumb rules are implemented. These methods are constantly reviewed to ensure that the they access the most profitable investment decision that can guarantee them maximum profits on their investment

The respondents established had invested in More Than One business venture. This finding is concurrent with Kengatharan (2014) who established that investors do not like risk, they prefer spreading there risks to other business opportunity that have been revealed by market gap. A single investor can invest on many ideas so as to spread the risk this increases their market return percentage and reduces the risk that comes with investments.

The respondent indicated that their investment is directed by the needs of their customers. This finding is in line with Islamoglu, Apan and Ayvali (2015) who identified social factors such as trading frequency of the investor, media, customers and social interaction that affect individual investors' decisions. The most important factor in any business is to satisfy your customers' needs. Business therefore tries very hard to makes sure there customers accepts their products and are happy with the level of quality of the products. Business also invest in business that can maximized there investment, these can be shorn by market gaps.

The respondents established that their investments was guided by returns. As per Shafi (2014), self-image, private economic needs, psychological variables, lifestyle, irrational thinking, ownership structure, bonus payment, dividends, previous business performance and anticipated corporate income influence the behavior of individual investors. Investors concentrate on ventures that can maximize their profits because profits are the key determinate of business success and it's the main objective of business existence.

5.3 Conclusion

This section represent the end result of the research, it winds and sums up the findings.

The study concludes that saving habit has positive and significant effect financial performance of women owned enterprises. The enterprises owners saved regularly to improve their loan amount application. The enterprises owners used their savings to finance business operations. The enterprises owners used their savings to expand their business. The enterprises owners set some money aside for emergencies. The enterprises owners had a target to which they need to grow their savings. The enterprises owners started this business with personal savings. The enterprises saved part of their business profit/income monthly. The enterprises owners either started saving even before starting the business with.

The study concludes that credit habit also has a positive and significant effect on financial performance of women owned enterprises. The enterprises owners knew more than one loan product they could qualify for, borrowed loans to finance business opportunities, borrow a loan to discipline their spending behavior, take a loan whenever their friends were applying for one, loans/borrowing had boosted their business. The enterprises owners either had used loans to start my business or not, the interest they pay on loans is manageable took a loan when an opportunity to borrow occurs or not and borrow loans to meet their personal needs as they arise or not

The study concludes that Investment habit also has a positive and significant effect on financial performance of women owned enterprises. The enterprises owners normally had a number of investment opportunities to choose from when investing, had invested more than 90% of all their loans, reviewed their investment plans more regularly, had invested in more than one business venture, investment was directed by the needs of their customers and their investments was guided by returns.

5.4 Recommendations of the Study

In perspective of the above findings, government agencies should organize financial education programs along with micro-finance organizations and banks to raise awareness of importance of saving credit and investment in market group which in turn will birth good financial habits. This will encourage the expansion and growth of MSMEs in fields they lack.

Financial education programmes, as MSMEs contribute so much to the countries where they occur, will not only enhance the development of businesses but also the economy as a whole.

As reflected in the research, it is obvious that financial habits contribute significantly to MSMEs ' profitability. It is apparent from the outcomes that MSMEs owners ' economic attitude is important in their profitability. It is therefore essential for government and private organizations, colleges, family and friends to make attempts to positively influence the attitudes towards saving, credit and investment of owners of MSMEs. Positive attitudes result in beneficial habits and therefore benefit MSMEs as well as their stakeholders.

5.5 Areas for Further Studies

The study was conducted to establish how financial habits have affected financial performance of MSMEs in Meru town, Kenya. From the findings, the study established that 70.1% change in financial performance is explained by investment habit, saving habit, credit habit. Thus apart from these factors, there are other factors financial performances of MSMEs which future studies should focus on. The current study was limited to only primary data which was collected using questionnaires. Future studies should incorporate both primary and secondary data for comparison of the findings, and also in other places apart from Meru town and Kenya.

REFERENCE

Abadi Dirar, S., Berhanu, T., Getachew, D., & Azadi, H. (2017). Financial product development and members' voluntary saving behavior in saving and credit cooperatives in Tigray: A case study in Endamohoni Woreda. *Cogent Economics & Finance*, *5*(1), 1279864.

Agha, S., Alrubaiee, L., & Jamhour, M. (2012). Effect of core competence on competitive advantage and organizational performance. *International Journal of Business and management*, *7*(1), 192.

Amaraveni, P., & Archana, M. M. (2017). A study of investor's behavior towards various investment avenues in Warangal city. *Asia Pacific Journal of Research in Business Management*, *8*(7).

Anang, B. T., Dawuda, I., & Imoro, L. (2015). Determinants of savings habit among clients of Bonzali Rural Bank in the Tolon-Kumbungu District of Ghana. UDS International Journal of Development, 2(2), 86-95.

Ansari, L., & Moid, M. S. (2013). Factors affecting investment behaviour among young professionals. *International Journal of Technical Research and Applications*, *1*(2), 27-32.

Athur, A. (2014). Effect of behavioural biases on investment decisions of individual investors in Kenya. Unpublished MBA project, University of Nairobi. Unpublished MBA project, University of Nairobi.

Cucinelli, D. (2015). The impact of non-performing loans on bank lending behavior: evidence from the italian banking sector. Eurasian Journal of Business and Economics, 8(16), 59-71.

Drever, A. I., Odders- White, E., Kalish, C. W., Else- Quest, N. M., Hoagland, E. M., & Nelms, E. N. (2015). Foundations of financial well- being: Insights into the role of executive function, financial socialization, and experience- based learning in childhood and youth. *Journal of Consumer Affairs, 49*(1), 13-38.

Fernandes, D., Lynch Jr, J. G., & Netemeyer, R. G. (2014). Financial literacy, financial education, and downstream financial behaviors. *Management Science*, *60*(8), 1861-1883.

Ferrao, M. M., & Ansari, A. (2015). A Comparative Study on Credit card usage behavior across leading private sector banks. *Reflections-Journal of Management*, *4*.

Islamoglu, M., Apan, M. and Ayvali, A. (2015). Determinations of factors affecting individual investor behaviours: A study on Bankers. *International journal of Economics and Financial*, Issue 2(5), ISSN: 2146-4138, pp.531-543

Karlan, D., Osei, R., Osei-Akoto, I., & Udry, C. (2014). Agricultural decisions after relaxing credit and risk constraints. *The Quarterly Journal of Economics*, *129*(2), 597-652.

Kengatharan, L (2014). The Influence of Behavioural Factors in Making Investment Decisions and Performance: Study on Investors of Colombo Stock Exchange, Sri Lanka. *Asian Journal of Finance & Accounting*, ISSN 1946-052X 2014, Vol. 6, No. 1

Kenya National Bureau of Statistics (2016). Small and Medium Enterprises (MSME) Survey 2016 DDI-KEN-KNBS-MSME-2016-v1.0

Kenya National Bureau of Statistics (2017). Economic Survey

Kimeu, C., Anyango, W. and Rotich, G. Behavioural factors influencing investment decisions among individual investors in Nairobi Securities Exchange. *The strategic journal of business change,* issue 4(3). Retrieved in September 2017.

Košak, M., Li, S., Lončarski, I., & Marinč, M. (2015). Quality of bank capital and bank lending behavior during the global financial crisis. *International review of financial analysis*, *37*, 168-183.

Kothari, C. R. (2004). *Research methodology: Methods and techniques*. New Age International.

Lähtinen, K. (2009). Assessing the resource usage decisions and financial performance in Finnish sawmills within the resource-based view framework. *Academic dissertation. The Finnish Society of Forest Science*.

Lee, N. R., & Miller, M. (2012). Influencing positive financial behaviors: the social marketing solution. *Journal of Social Marketing*, *2*(1), 70-86.

Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of economic literature*, *52*(1), 5-44.

Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of economic literature*, *52*(1), 5-44.

Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of economic literature*, *52*(1), 5-44.

Mak, M. K., & Ip, W. H. (2017). An exploratory study of investment behaviour of investors. *International Journal of Engineering Business Management*, *9*, 1847979017711520.

Marlow, S., & McAdam, M. (2015). Incubation or induction? Gendered identity work in the context of technology business incubation. *Entrepreneurship Theory and Practice*, *39*(4), 791-816.

Mathews, J. (2013). Behavioral Finance: A Primary Analysis. *Available at SSRN 2329573*.

Meru County Government (2019), Revenue Department registered MSMEs records

Miller, M., Godfrey, N., Levesque, B., & Stark, E. (2009). The case for financial literacy in developing countries: Promoting access to finance by empowering consumers. *World Bank, DFID, OECD and CGAP Joint Note, Washington, DC*.

Nwodo, O. S., Ozor, J. O., & Okekpa, U. E. (2017). Savings Behavior among Small Scale Business Owners in Nigeria (A Case Study of Enugu Metropolis). *International Journal of Academic Research in Business and Social Sciences*, *7*(10), 172-186.

Odongo, N. H., & Wang, D. (2016). Constraints in Development of micro and Small enterprises in the economy of Kenya. International Journal of Management Research and Reviews, 6(6), 777.

Ramanujam, V., & Vidya, K. A. A Study on the Credit Repayment Behaviour of Borrowers.

Rikwentishe, R., Pulka, B. M., & Msheliza, S. K. (2015). The Effects of Saving and Saving Habits on Entrepreneurship Development. *European Journal of Business and Management*, *23*(7), 111-119.

Rikwentishe, R., Pulka, B. M., & Msheliza, S. K. (2015). The Effects of Saving and Saving Habits on Entrepreneurship Development. *European Journal of Business and Management*, *23*(7), 111-119.

Shafi, M. (2014). Determinants influencing individual investor behaviour in stock market: a cross country research survey. *Arabian Journal of Business and Management Review*, Issue No 1(2) .Department of Business & Financial Studies, University of Kashmir Srinagar Kashmir.

Shah, D., Kumar, V., & Kim, K. H. (2014). Managing customer profits: The power of habits. *Journal of Marketing Research*, *51*(6), 726-741.

Shneor, R., Jenssen, J. I., Vissak, T., Bulanova, O., Isaksen, E. J., & Kolvereid, L. (2016). Growth aspirations among women entrepreneurs in high growth firms. Baltic Journal of Management

Teshome, G., Kassa, B., Emana, B., & Haji, J. (2014). Saving patterns of rural households in east hararghe zone of Oromia National Regional State, Ethiopia. *Journal of Development and Agricultural Economics*, *6*(4), 177-183.

Thompson, F., & Gates, B. L. (2017). Betting on the future with a cloudy crystal ball? How financial theory can improve revenue forecasting and budgets in the states. In *Debating Public Administration* (pp. 137-153). Routledge.

Umer, K. B., & Irum, A. (2013). Impact of capital structure on investor behavior and performance of firms in Pakistan/Aamir Farooq, Abdul Jabbar Ahsan, Kush Bakhat Umer, Asma Irum, and Madiha Latif. *Business & Management Quaterly Review*, *4*(2), 36-43.

Villanueva, S. (2017). An analysis of the factors affecting the spending and saving habits of college students.

Wendo, C. (2015). *Factors influencing individual investors' participation in the Nairobi securities market, a case of advocates in Nairobi County, Kenya*. Unpublished MBA project, United States International University – Africa.

APPENDICES

APPENDIX

APPENDIX 1: Questionnaire

This questionnaire is designed to collect data that will be used to determine the relationship between financial habits and financial performance of women owned Micro, Small and Medium Entrepreneurs.

Please note that the findings of this research are solely meant for academic purposes

And all the responses will be treated with utmost confidentiality.

Instructions: please complete all questions by filling in the provided questionnaire by ticking the boxes and filling the gaps appropriately as directed.

Section A: General Information

1. What kind of business are you engaged in?

   Saloon ☐ General Retail Shop ☐ Tailoring ☐

   Vegetables and Fruits ☐ Hotel ☐

   Other (Please specify) ☐ ______________________________

2. Kindly indicate your age group

   Less than 18 ☐ 18-30 ☐ 30-40 ☐ above 40 ☐

3. What is your position in this business?

82

4. What is your position in this business?

Only Owner ☐ Partner ☐ Other (Please specify) ☐

5. How many years have you been doing this business?

Less than 1 year ☐ 1-3 years ☐ 4-7 years ☐ 8-10 years ☐

More than 10 years ☐

6. How many employees are there in this business?

1-3 ☐ 4-6 ☐ More than 6 ☐

7. What your highest level of education?

O-level ☐ Diploma ☐ Degree ☐ Masters ☐

8. What was the main source of your capital?

Saving ☐ borrowing ☐ friends and family ☐

Other (Please specify) ☐ ____

SECTION B: SAVING HABITS AND FINANCIAL PERFORMANCE

Below are several statements on saving habits and financial performance of businesses. Kindly indicate the extent of your agreement with each in relation to your business. Use a score of 1-5 where 1 = strongly disagree, 2= Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree.

Questions	**1**	**2**	**3**	**4**	**5**
I save part of my business profit/income monthly					
I set some money aside for emergencies					
I use my savings to expand my business					
I save regularly to improve my loan amount application					
I started this business with personal savings					
I use my savings to finance business operations					
I started saving even before starting this business					
I have a target to which I need to grow my savings					

9. What are some of the challenges that restrict your savings?

____

____

SECTION C: CREDIT HABITS ON THE FINANCIAL PERFORMANCE

Below are several statements on the relationship between Credit habits and financial performance of enterprises. Kindly indicate the extent of your agreement with each in relation to your business. Use a score of 1-5 where 1 = strongly disagree, 2= Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree.

Statement	**1**	**2**	**3**	**4**	**5**
I borrow loans to finance business opportunities					
I borrow loans to meet my personal needs as they arise					
I take a loan when an opportunity to borrow occurs					
I borrow a loan to discipline my spending behavior					
I take a loan whenever my friends are applying for one					
I know more than one loan product I can qualify for					
The interest I pay on loans is manageable					
I have used loans to start my business					
Loans/borrowing has boosted my business					

SECTION D: INVESTMENT HABITS AND THE FINANCIAL PERFORMANCE

Below are several statements on the relationship between investment habits and financial performance of enterprises. Kindly indicate the extent of your agreement with each in relation to your business. Use a score of 1-5 where 1 = strongly disagree, 2= Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree.

Questions	1	2	3	4	5
I have invested in more than one business venture					
My investments is guided by returns					
My investment is directed by the needs of my customers					
I review my investment plans more regularly					
I have invested more than 90% of all my loans					
I normally have a number of investment opportunities to choose from when investing					

SECTION C: FINANCIAL PERFORMANCE

Below are several statements on financial performance of enterprises. Kindly indicate the extent of your agreement with each in relation to your business. Use a score of 1-5 where 1 = strongly disagree, 2= Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree.

Questions	1	2	3	4	5
My sales turnover has been increasing over the last five years					
My profits have been on the increase over the last five years					
My operating expenses have been on the decrease over the last five years					
The number of business I own has been increasing over the last five years					
Am happy with the growth of my business					
I believe my business will survive for the next five years with revenue growth					
My business has been expanding yearly since I began					

THE END

THANK YOU