EFFECT OF MICROFINANCE INSTITUTIONS SERVICES ON PERFORMANCE OF AGRIBUSINESSESES IN KENYA

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MASTER OF SCIENCE IN COMMERCE (FINANCE AND INVESTMENT)

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DECLARATION

I declare that this project is my original work and has not been previously published or submitted elsewhere for the award of degree. I also declare this contain no material written or published by other people except where due reference is made and author duly acknowledged.

Sign…… Date……..

LUCY NEKESA NAMONYO **REG. NO: 17/04404**

I hereby confirm that I have examined the Masters' project of Lucy Nekesa and approved it for examination

Sign……..Date……

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ABSTRACT

The purpose of this study was to establish the effect of Microfinance Institutions services on performance of Agribusinesses in Kenya. Specific objectives were; to determine the effect of microfinance loans, microfinance savings and microfinance training on performance of Agribusinesses in Kenya. The study adopted descriptive research design and the target population was 3,163 farmers, who were active members of Microfinance Institutions and have been accessing loans from the MFIs. Simple random sampling procedure was used to select a sample of 355 farmers for the study. Questionnaire was the selected instrument for data collection. Data was analysed using descriptive statistics, Correlation analysis and multiple regression analysis. The study found that Microfinance loans, Microfinance savings and Microfinance training have a significant positive relationship with performance of Agribusinesses. The study recommends that government should put in place policies that facilitate farmers in accessing loans from MFIs by guaranteeing them. Farmers should also improve on the culture of saving and also utilize training facilities offered by MFIs. MFIs should diversify their products to include products like insurance for farmers.

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May God richly bless you all.

DEDICATION

I dedicate this study to my Employer, VisionFund for being my destiny connector. It's through you that my school fees budget was met. I also dedicate my study to my supervisor, Dr. Michael Njogo who amidst his busy schedule would set aside some time to guide me and even review my work. I have developed research skills through him.

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ABBREVIATIONS AND ACRONYMS

ASCI	Agriculture Skill Council of India
CBA	Commercial Bank of Africa
FIs	Financial Institutions
GDP	Gross Domestic Product
MFBs	Microfinance Banks
MFI	Microfinance Institutions
MSEs	Micro and Small Enterprises
MSMEs	Medium, Small & Micro Enterprises
NGOs	Non-Governmental Organizations
NMB	National Microfinance Bank
RBV	Resource-Based View
RoK	Republic of Kenya
SACA	Smallholder Agricultural Credit Administration
SLCs	Savings and Loans Companies
SRSP	Sarhad Rural Support Program
AMFIK	Association of Microfinance Institutions of Kenya

OPERATIONAL DEFINITION OF TERMS

Agribusinesses	Activities collectively associated with the production, processing, and distribution of agricultural products (Rahman, 2010).
Loans	It's property or material that an individual is given with the promise of them repaying the amount at a later agreed date with some interest on top of the principal amount they are given (Abiola, 2011).
Microfinance Institutions	It is a company offering the low income earners with financial services (Mbaluka, 2013).
Performance	it is the measure of company's output against the intended outcome (Wachira, 2011).
Savings	It's the money that an individual sets aside to be used in the future (Rahman, 2010).
Training	It is an activity that is developed with the aim of improving performance of recipient or even assists them in attaining the level of skill and knowledge that is needed (Stewart, Majoro, & Dewett, 2010).

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Most low income earners and farmers in developing countries are not included in the banking system. For instance, in South Asia and Africa the rate at which banks have penetrated in the agricultural areas is very low ranging from 5% to 6% (Bachelier, 2017). The role played by agricultural banks in developed nations is very crucial in modernizing agriculture while in developing countries, Microfinance Institutions have advocated for agriculture development in order to lower or eliminate the issue of poverty (Bateman, 2015). In developing nations, there has been development in MFIs and their management revolves around this objective (Hulme & Moore, 2016).

There are various ways in which microfinance can help transform the way small-scale entrepreneurs invest. For example, Diagne and Zeller (2015) indicated that through microfinance, low income earners can be assisted in alleviating their financial challenges and therefore be in a position to acquire investment inputs which they could not be in a position to acquire without the help of the microfinance. Also, by encouraging technologies that saves on labor, it lowers the opportunity costs of assets that are capital intensive and also help to improve the labor productivity of the poor (Diagne & Zeller, 2015).

For more than three decades, microfinance has been considered to be the main program and policy to help in reducing poverty and improve the local economy and also boost socio development (Bateman, 2015). In developing countries, microfinance are of great importance in boosting the growth of the economy and alleviating poverty levels, this

is because in most of these countries, banks serve less than 20% of the population majority of them are the rich (Robinson, 2016). It's important to note that greater percentage of the population is the low income earners and poor and are usually excluded in the formal financial sector. It's because of these concerns and realizations that financial institutions were developed under the Microfinance Institutions (MFIs), with the aim of helping this section of the population who want to be self-employed as business entrepreneurs with financial access.

1.1.1 Microfinance Institutions Services

Microfinance Institutions are institutions providing varied financial related services which include deposits, loans, payments services, money transfers, and insurance for the low income earners and the poor for their micro-enterprises either farming or non-farming enterprises (Charitonenko & Campion, 2003). There are various groups of Microfinance Institutions (MFIs), they can be in form of regular banks owned by the government or privately owned, commercial banks branches and those that have specialized in offering the services or financial intermediaries like governmental and NGOs that have expertise in non-banking practices (Mwenda & Muuka, 2004). They offer services which include; credit extension (for production, consumption and emergency), insurance which include life, health etc., and access to savings.

Micro-credit practice is dated back in the 1700s and is considered to have originated from Irish loan funding system that gave loans to people residing in poor rural areas without requesting collateral. As years pass by, the idea of micro-finance diffused to Latin America, Asia and reached Africa. Currently, the phrase micro-financing has its origin in the 70s in companies, for example Grameen bank of Bangladesh, where the

pioneer in micro-finance, Mohammad Yunus, started and shaped the current financing industry (Mwangi, 2011). Similar institutions known as gojoko, were first developed in Japan back in the 19th century by an economist and agrarian reformer Ninomiya Sontoku whereby each member in the village union was allowed to borrow loans with no interest rate for 100 days while all the other members shared the cost in case there was defaulting of payment (Ohno, 2015).

In sub-Saharan Africa, MFIs refers to a wide range of institutions that are diverse and are dispersed geographically and their key responsibility is providing the poor population with financial services. Some of the customers that benefit from their services are NGOs, non-banking institutions, rural banks, cooperatives, savings and postal financial institutions, and the drastically growing population of commercial banks (Burritt, 2006). MFIs in Africa are designed to financial accessibility to low-income market in underdeveloped economies. In Malawi, microfinance sector was developed in the 90s. Before the creation of MFIs, small farmers in the area received loans from smallholders that were managed by Smallholder Agricultural Credit Administration (SACA), which was developed in the 70s by ministry of Agriculture, and they provide loans with subsidized interest rates (Burritt, 2006).

In the 80s the movement of microfinance gained its momentum in Kenya because most of the population was unbanked. The main reason for the emergence of micro-finance is filling gaps left by banks in provision of credits to businesses and individuals (Ogindo, 2006). In Kenya, microfinance organizations are controlled by Kenyan Micro Finance Act, whose actualization was in 2006 and in 2008 it was dynamic (RoK, 2015).

According to the Association of Microfinance Institutions of Kenya (AMFIK 2015), there are sixty four (64) Deposit Taking MFIs in Kenya currently, with a total of two hundred and thirty five (235) branches all over Kenya. The growth of Microfinance Institutions has encouraged a saving culture and consequently the growth of MSEs, which makes a remarkable contribution to the country's GDP. Due to competition, formal institutions have also started to provide microfinance services. For instance, Safaricom and Commercial Bank of Africa (CBA) have formed a strategic alliance and come up with the Mshwari product which offers microfinance services. Mshwari had six hundred and forty five thousand (645,000) clients and Kshs. 150million as savings, within its first twenty one (21) days of incorporation.

Microfinance is the supply of key services relating with financing to the poor population and their micro-organizations. Some of the services they offer include leasing, credit, savings, insurance and transfer of cash (Angelucci, Karlan & Zinman, 2015). Providing flexible and safe services to the poor, can have significant influence on various strategies of the poor, such as risk minimization, mitigation of income variation, tackling unexpected emergencies and expenditure and developing a small base for assets over time. Microcredit is those small loans that households or small enterprises are provided with. Usually, microcredit is characterized by standard loan products that take short time to mature, have fixed schedules for repayment and their amounts are limited and also are characterized with high rates of interest. Majority of MFIs require one to have saved for quiet sometime before borrowing; this is to ascertain that the customers are interested in developing long lasting relations with the institution (Nyamsogoro, 2010).

1.1.2 Performance of Agribusinesses

The term Agribusinesses was developed by Davis and Goldberg (1957). Some of the aspects that are included in Agribusinesses are agrichemicals, breeding, crop production (farming and contract farming), distribution, farm machinery, processing, and seed supply, and marketing and business of retail selling. For rural areas to develop, Agribusinesses is very essential and is part of the strategies in place for improving economic development of a region and make sure that there is safe supply of food.

Globally, there are wide ranges of global and domestic agricultural products produced in the US. In the year 2016, the contribution of America farms to county's GDP was $152.5 billion, which was very low compared to overall GDP of the country i.e. less than 1%. Majority of bulk export products in US are agricultural (e.g., wheat, rice, coarse grains, oilseeds, cotton and tobacco) (Shields, 2015). US export most of its machinery to Mexico and in the year 2015 their value was USD 1.21 billion and in 20178 it was USD 1.36 billion (Gardiner, 2015).

In Africa though agriculture is the means of survival for more than 80% of African population, there is minimal support from the government (Teweldemedhin & Van Schalkwyk, 2010). This limits the transition of local producers to commercial production from subsistence (Dan-Azumi, 2010). Agricultural production in African nations is very low. Therefore, o meet the demand for the locals, the government opts to import these products. The cycle becomes endless because local farmers do not get sufficient subsidies to facilitate them to increase their yield, and the spending of government on food imports keep on increasing (Tepe *et al.*, 2011).

In Kenya, segmentation of agricultural sector can be in two, cash crops and food crops and this segmentation is done based on the structure of the market, practices of production, and the policies in place. In the year 2015/2016, there was a decline in the percentage of food crops while cash crops experienced an increase. This difference was attributed to various factors which included the structure of the market and production practice differences (Githinji, 2016). Most small scale farmers deal with food crops and because of their limited resources they cannot use mechanized processes and optimal inputs. The dominating food crop is maize and the effect it has on the economy is widespread. Decline in production of maize has significant effect on food prices, inflation, currency and also household income (Macharia, 2013).

According to the Ministry of Agriculture (2014) most of Kenya's population depends on farming to sustain their families. In Kenya, 75% of its population is employed by farming and 25% of country's GDP is from agriculture. According to Kenya's Vision 2030, the main challenge that the country needs to focus on is growth of agricultural sector (Republic of Kenya, 2015). In addition, food production in Kenya majorly relies on Agricultural production. As a result, the government of Kenya came up with the "Big Four Agenda" in the 2018/2019 annual budget to focus on food production.

The growth of Kenya's economy greatly depends on agriculture. It is approximated that agricultural sector contributes 25% of country's GDP and this is exclusive of its indirect contributions via links with transport and communication, manufacturing, retail and wholesale and financial services. It is considered to be the number one source of export in the country. For example in 2010, 51% of total exports were from tea, horticulture, coffee, and clothing. Agriculture is beneficial to every single person in the

country. It is approximated that 75% of country's population depend on agriculture for livelihood and survival and approximately 90% of income in rural areas is from agriculture. Since 2004, productivity of agricultural sector is Kenya has been fluctuating. This is attributed with the fact that the country over depends on rain for agriculture and the low-levels of agricultural related processing activity. It is approximated that 91% of Kenya's agricultural exports are in either raw, crude or semi-processed form. Therefore the population of individuals employed in the sector is limited. This makes the country vulnerable to fluctuations and declining prices and increasing competition by imports which are much cheaper (GoK, 2012).

The quality of natural resources in Kenya is affected negatively by the inappropriate land use and the result has been low productivity in farming activities countrywide. Over the past 20 years, yields in Kenya's agricultural produce, except tea, has been below what average developing country should have. There is poor road, rail and other form of transportation in rural areas. Incentive to motivate individuals to invest in improvements lack and small farmers are dispersed widely and therefore demand created is no sufficient to ensure profitability of investments. Most of the time, assemblers who are the first in the chain of distribution have the responsibility of transporting produces from their production areas using transportation vessels. In many instances, there is poor maintenance of vehicles and often they are overloaded and results in losses which are a cost transferred to the consumer. Transportation cost for produces and inputs is inflated by the many checkpoints and the levies that are imposed on them by authorities. Kenya is ranked the top country within the region in terms of electricity tariffs they charge, the

country also lacks access to reliable water supply since distribution infrastructure and storage is inadequate (GoK, 2012).

The market environment is constantly changing and is highly complicated. Small holders are facing even more complicated challenges because of continuous globalization of global agricultural market. They are therefore forced to operate in increasingly complicated economic landscape, which includes increased specialization in logistics and channels of distribution; dynamic and varied customer preference; and increased complex norms, specification techniques and standards. The results is that small scale farmers are pressurized to increase their production efficiency, and increase their performance as sophisticated business persons and competent managers (GoK, 2012).

1.2 Statement of the Problem

Small-scale farmers are the one who largely shoulder the challenges of Agribusinesses. Although some of the large-scale farmers may be able to mitigate against risks through accumulated savings, diversifying their production, and attracting more credit from financial institutions, agricultural credit extension in Kenya is way far below what the sector requires (ACCI Report, 2012). Agricultural sector only receives three percent of total credit extended to the economy (Kamenchu, 2013).

The growth and deepening of MFIs support to Agribusinesses is affected by lack of adequate or efficient policies, high costs of transactions before the population in rural areas is reached, covariance of production, market, and price risks, and inadequate instruments for managing risks, low demand levels as a result of fragmentation and lack of experts in the financial institution to manage agricultural loan portfolios (Kline, 2011). For agriculture to develop, it is important to have financial services supporting: infrastructure

relating with agriculture and large investments which require long-term funding. Major challenge is managing systematic risks by insuring and use of other ways of managing risks and lowering the costs of operations when dealing with small scale farmers (Onumha, 2010).

Subhani (2013) focused on establishing the way Pakistani agricultural industry performance was influenced by microfinance. Dikki, Muhammad, Dogarawa and Chechet (2015) studied the way performance of women enterprises in Nigeria is affected by non-financial services provided by microfinance banks (MFBs). In another study by Rotich, Lagat and Kosgei (2015), they evaluated how performance of SMEs in Kenya is affected by microfinance services. Chole (2017) evaluated effects of services offered by Microfinance Institutions on MSEs Performance in Kariobangi Light Industry in Nairobi, Kenya. The studies were conducted in different industries and areas, agriculture industry in Pakistan, Women Entrepreneurs in Nigeria, SMEs in Kenya and micro and small enterprises in Kariobangi Light Industry in Nairobi. This study sought to establish the effect of MFIs services on performance of Agribusinesses in Kenya.

1.3 Research Objectives

1.3.1 General objective

To establish the effect of Microfinance Institutions services on performance of Agribusinesses in Kenya

1.3.2 Specific objectives

i. To determine the effect of microfinance loans on performance of Agribusinesses in Kenya.

ii. To establish the effect of microfinance savings on performance of Agribusinesses in Kenya.

iii. To assess the effect of microfinance training on performance of Agribusinesses in Kenya.

1.4 Research Questions

i. What is the effect of microfinance loans on performance of Agribusinesses in Kenya?

ii. What is the effect of microfinance savings on performance of Agribusinesses in Kenya?

iii. What is the effect of microfinance training on performance of Agribusinesses in Kenya?

1.5 Justification of the Study

Agricultural sector in Kenya contributes the greatest percentage towards the country's economy, contributing 25% of the GDP (Gross Domestic Product). In addition it provides employment opportunities, contributing 18% of total formal employment and 65% of total exports are from agriculture. However, Agribusinesses in Kenya is facing some challenges which include; the use of outdated technology, changes in climate, diseases and pests, infrastructure, soil moisture content and nutrients which lead to poor yields. The microfinance institutions can be of great importance to improve the performance of Agribusinesses. MFIs can encourage the farmers acquire loans so as to adopt more advanced technologies, savings will help the farmers to meet their future needs and by training farmers their skills and knowledge and hence, improve their performance.

1.6 Significance of the Study

The study results might be important to the Managers of MFIs. This might help them to come up with more financial products that can support local farmers in their farming activities. In addition, the Managers might be able to come up with a mechanism that might ensure farmers have a good credit history through good repayment records and hence retain more clients. As a result, it might lead to growth of the Agribusinesses in Kenya and the growth of the country's GDP.

The study findings might provide the government with an understanding on the impact of the MFIs on the performance of Agribusinesses in the country. The government might be able to come up with regulations that support the MFIs growth in the country. By doing so the MFIs will be able to offer funds to support the local farmers. This might promote the growth of Agribusinesses in Kenya.

Farmers might understand how they can access finances from MFI to support their activities. This might promote the growth of Agribusinesses in Kenya. Researchers and academicians will comprehend the contribution of MFIs towards Agribusinesses. The study will also add more insight on impacts of the MFIs services on the performance of Agribusinesses in Kenya and globally. The study can be used as a reference for future studies.

1.7 Scope of the study

The objective of the study was to establish the effect of Microfinance Institutions services on performance of Agribusinesses in Kenya. Specifically, it determined the effect of microfinance loans, microfinance savings and microfinance training on performance of Agribusinesses in Kenya. The study mainly focuses on Agribusinesses in Kenya. Trans-

Nzoia County was the selected study location. The study was conducted in the months of June to October 2019

1.8 Limitations of the Study

The study was limited to Agribusinesses activities in Trans-Nzoia County and more specifically to the farmers within the county. Primary data was collected using questionnaires.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the literature on effect of Microfinance Institutions services on performance of Agribusinesses. This study begins with the theoretical principles underlying Microfinance Institutions on performance and then discusses the empirical literature on Microfinance Institutions on performance and research gaps.

2.2 Theoretical Review

This study was anchored on the resource-based view theory, dynamic capability theory of the firm and the financial sustainability theory.

2.2.1 Resource Based View Theory

This theory was developed in the 80s by Wernerfelt (1984), Rumelt (1984) and Barney (1986). The resource based theory over time became the most used theory for studying and analyzing competitive advantage and performance. It states that, for organizations to attain competitive advantage and performance, the key factor lies in their resources. The theory assumes that a company operating in a particular market segment can be heterogeneous depending on the resources they are in control of. The second assumption is that heterogeneity nature of resources can be long term because the resources applied in implementing strategies of a company are partly immobile across companies (i.e., there are resources that can't be traded and aren't easy to accumulate and copy).

Each company has different type of resources both tangible and intangible (Barney, Wright & Ketchen, 2001). The assumption of this theory is that people are motivated to maximize the use of economic resources they have and rational decision the company

makes under the influence of economic factors (Barney, 2007). Company's capability is defined as the unique skills, acquired knowledge, abilities and experiences that enable the company to control its activities and utilize its resources to facilitate its superior performance through coordination and use of resources in a productive way (Mckelvie & Davidsson, 2009). In line with strategic management, Lockett, Thompsons and Morgensrern (2009) indicated that RBV studies the resources as well as abilities that will enable the company to attain high rates of returns and improved organizational performance.

The contribution of RBV theory to management of an organization is that it enables it to determine whether there exist resources that will result to competitive advantage. The advantage is that it enables them be in a position to exploit the imperfections of the market to improve their performance. Through that the company is able to combine various resources to attain sustainable competitive advantage. The RBV theory is of great importance to a company because it enables it identify the resources that can help it attain superior performance (Locket, Thompson & Morgenstern, 2009). Another advantage of RBV is that it makes it possible for management of a company to select the most crucial factors they can invest in from various range of factors existing in the sector they are operating in. This theory is regarded as the main theory for explaining the way performance of a business is influenced by resources (Barney, 2007). From the theory, it evident that resources are needed for the functioning of a business and is also a necessary ingredient for performance. This study considered microfinance loan as a financial resource which may have influence on the performance of Agribusinesses.

2.2.3 The Dynamic Capability Theory of the Firm

The Dynamic Capability theory was proposed by Teece (1990). The basis of dynamic capability theory is that an organization will renew their resources based on the changes taking place in the environment to ensure that they match. Teece (2012) indicated that dynamic capability is responsible for examining the ability of a company to integrate, reconfigure and build specific competencies into new ones that match the transformations that take place in the dynamic environment. This theory assumes that an organization having great dynamic capabilities will perform better than the ones with small dynamic capabilities.

Because companies are operating in a constantly changing environment, it's important that they renew, regenerate and reconfigure constantly their capabilities to maintain their competitive advantage (Barney, 2007). Developing dynamic capabilities is not easy neither is it easy transferring it because of its tacit nature and also the fact that it's embedded in the company's history and its unique set of associations. According to RBV, ordinary capabilities are concerned with things being done right while concerns of dynamic capabilities is doing the right things at the right time depending on the unique processes, the culture of an organization and based on unique processes, organizational culture and visionary assess of business environment and the opportunities that surrounds the company technologically. Processes, technology, business models, and leading skills are some of the strong dynamic capabilities that are required to attain high sensing and seizure of performance and transform the organization (Teece, 2012). This theory explains that individuals need skills and knowledge so as their business can function properly. The acquisition of skills and knowledge can be through training. This study considers

microfinance training as method that can be used to improve capability and which may have influence on the performance of Agribusinesses.

2.2.4 Financial Sustainability Theory

This theory was proposed by Woller (1999). It states that sustainability is building a successful business today and thus delivering value in the long run. According to institutionists, the main objective of an MFI is financial deepening. In this case financial deepening is explained as creation of financial intermediation that is sustainable for the poor. According to institutionists' financial sustainability, determined by profitability, need to be prioritized by all MFIs (Brau & Woller, 2004). They argue based on the fact that majority of donor dependencies are uncertain and therefore unless the MFI has the ability of sustaining itself financially it won't have the ability of serving the poor in the long run.

As opposed to promoting financial stability, its feared that by over emphasizing on financial self-sustainability it could drive MFIs away from their objective of reducing poverty levels among the poor (Drake & Rhyne, 2002). It's referred to as mission drift. By closely examining the argument that is put forth institutionists and welfarists it can be concluded that the problem is in financing. The wish of institutionists is to see MFIs meet their costs using funds they have generated themselves without having to source funds from outside sources and at the same time be profitable; if an MFI is able to do so, they consider it to be sustainable. On the contrary, the concern of welfarists is not the source of the fund. For them they consider an MFI to be sustainable if they are able to operate and meet their social responsibility. Their main objective is on the depth of outreach and social impact that's targeted and not the scale or financial self-sufficiency (Brau & Woller, 2004).

In order for an MFI to attain its targeted number of clients and meet its costs it's important for them to attain sustainability and long term survival (Morduch, 2002). Despite the goal of reaching the poor and alleviating poverty being important, independency of households benefiting from the loan and the microfinance will benefit greatly. There are internal and external effects of MFI sustainability. Some of the internal implications are mobilization of deposits and savings, financial performance, motivation of staff, costs of administering loans etc. while external implications are in line with fund availability for loan disbursement, grant for organizing of community (Morduch, 2002). From the theory, for proper functioning of a business there must have financial resources. This study considered microfinance savings as a source of financial sustainability which may have influence on the performance of Agribusinesses.

2.3 Empirical Review

This section review the empirical literature related to the study. To be specific, the section covers microfinance loans and performance of Agribusinesses, microfinance savings and performance of Agribusinesses and microfinance training and performance of Agribusinesses.

2.3.1 Microfinance Loans and Performance of Agribusinesses

Eunice (2011) studied the Effect Of Micro-Credit Fund Accessibility On The Performance Of Women-Owned Businesses. This study was intended to examine the effect of micro-credit fund accessibility on the performance of women-owned businesses in Uganda, Kawempe Division Kampala. The objectives of the study were: To identify the accessibility to micro-credit fund for women owned businesses, To establish the impact of micro-Credit fund on the performance of women owned businesses and to find out other

factors affecting the performance of WOBEs. The study used both qualitative and quantitative methods in collection, analysis and presentation of the research findings.

Findings also reveal that the performance of WOBEs is less affected by the accessibility to Micro-credit, in other words there are several other factors affecting their performance largely. The findings also reveal that there are some slight increments or improvements that accrue to the business with the receipt of micro credit fund in terms of profits, output, and the general quality of the business. The study also reveals that there are a number of people who put the loan funds to some other personal purpose because of the dependants. Limitations of the study included financial constraints, time constraints, Hoarding of information by some women and uncooperative respondents.

Akwaa-Sekyi (2013) studied how farming activities in rural area is affected by micro loans; the study was conducted among communities in Sunyani area practicing farming. Researcher's main focus was to determine how farming activities are affected by micro credit; the effects of microcredit on labor employed, working capital, and farmers output and income was sought. Information was sought from 103 respondents who were clients of the rural bank and who practices farming. To establish the variation that existed and effects of credit intervention on the dependent variables, the study computed Paired samples t-test. The effect of independent variables on dependent variable was determined using modified Eta squared formula and paired samples correlation. It was established that the effect of microcredit was significant on all the independent variables that were being studied. During the study period, there was an increase witnesses on the dependent variable but all the increase wasn't attributed to credit intervention. The increase was also attributed

other support that the farmers received including subsidized and improved inputs such as seedlings, and fertilizer.

Nyamwihula (2017) reviewed the impact of microfinance loans on performance of SMEs in Tanzania. A Case of NMB Borrowers in Kinondoni Municipal, Dares Salaam. The study assessed the way performance of SMEs is affected by Microfinance loans. A cross sectional design was used. The study selected a sample of 106 respondents who are clients of National Microfinance Bank (NMB) using simple random sampling. Questionnaires constructed from five Likert scale were used for gathering information pertaining to effects of loan received from NMB. Data were coded in SPSS and thereafter analyzed to generate descriptive and inferential statistics. Results from the study indicate that after the enterprises employed the loans they received over time, there was an increase witnessed in their gross profit. Results found insignificant association in collateral with SME performance in terms of socioeconomic performance. Additionally, results showed strong association between the size of the loan and performance of the enterprise and slight significant association between times of loan processing and the performance of SME. Furthermore there was no relationship found between collateral and SME performance.

Wanambisi (2013) reviewed the impact of lending by microfinance on performance of businesses: a survey of MSEs in Kitale Municipality, Kenya. The study mainly sought to determine the way MSEs in the municipality are affected by loan lend by MFIs. Descriptive survey was adopted. The targeted population was a total of 1200 MSEs registered within the municipality and have been in operation for not less than 3 years. Stratification of the population was done to four groups, retailers, wholesalers, service delivery and restaurant. A sample of 120 MSEs was then drawn from the stratified

population using proportionate random sampling, then selection of respondents from each group was done using simple random sampling. Main data collection tool was questionnaire. Chi square and correlation were used to test the study hypothesis. MSEs performance and credit were found to have significant and positive relationship. This led to suggestions for MFIs to speed the training process/time and creation of groups to ensure that the loans can be accessed much faster. There is need for loan size to be increased to facilitate growth of these enterprises.

Suryadevara (2017) evaluated the impact of microfinance credit on SMEs performance in Nairobi. The main aim was to determine how credit from MFIs affect the way SMEs in manufacturing industry performs. Descriptive research design was embraced. The population for the study incorporated all the Accounts and Finance Managers working with manufacturing SME's in Nairobi; total population was 145. The researcher issued a total of 59 questionnaires and only 50(85%) were returned; this was considered appropriate for the study. It was established that respondents rely on MFI credit financing for their business. It was also noted that MFI credit has been beneficial in expanding this business. Despite this, sustainability of MFIs greatly depended on quality of service deliver by employees, borrowing cost/interest rate and convenience of repayment plans. It was established that micro-finance institutions are particularly important for startups; high growth and innovative SME's. Large institutions have comparative advantages in transactions lending's than small SME's. It's important to however note that not all MFIs give startup loans.

Amsi, Gachie, Imo and Ngare (2017) evaluated the impact of microfinance credit on SMEs Financial Performance in Kenya. They focused on establishing how aspects of

microfinance credit (amount, collateral requirement, interest rate, and repayment period and entrepreneur orientation) affect the way SMEs perform financially. SMEs used in the study were 210, and were selected using stratified and simple random sampling. Reliability of data collection instrument as confirmed using Cronbach's alpha. The findings revealed that majority of respondents were not trained on entrepreneurship. Financial performance of the enterprises were found to be significantly and negatively affected by rate of interest, collateral requirements and period of repayment, on the other hand, amount of credit and entrepreneur orientation had positive effects. In addition it was revealed that out of all aspects investigated, entrepreneur orientation was the most significant one suggesting that majority of SME entrepreneurs are risk takers and innovators since they venture in new business and are proactive (Amsi, Ngare, Imo & Gachie, 2017).

Morobe (2015) studied the Effect Of Micro Finance Loans On The Financial Performance Of Small Medium Enterprises In Nairobi County. To examine the effect of micro finance loans on the financial performance of small medium enterprises in Nairobi County. The study was descriptive in nature. The population for this study was the SMEs operating in Nairobi County. The target population was grouped based on 17 constituencies in Nairobi County: Westlands, Dagoretti North, Dagoreti South, Langata, Kibra, Roysambu, Kasarani, Ruaraka, Embakasi South, Embakasi North, Embakasi Central, Embakasi East, Embakasi West, Makadara, Kamukunji, Starehe and Mathare. According to the table the sample population should be 357.

The study also found that microfinance loan influence financial performance in SME's in Nairobi County to a very great extent. The study also concludes that microfinance loan influence financial performance in SME's in Nairobi County to a very

great extent. Based on the key findings, the study made the following recommendations. Microfinance Institutions should enhance training of their clients on the entrepreneurial skills so as to enhance their skills as a large proportion of the respondents were found to be certificate holders of high school graduates hence they lacked the necessary business management skills. The study established that high interest rates and repayment period inhibit some of the SME's in Nairobi County from accessing microfinance loans to a very great extent. The study also recommends the MFIs carry out sensitization campaigns on the need to save among the traders.

Wanja (2013) studied the Effect of Microfinance Services on the Financial Performance of Small and Medium Enterprises in Embu County, Kenya. The research was aimed at investigating the effects of microfinance credit on the financial performance of Small and Medium Enterprises (SMEs) in Embu County, Kenya. This research problem was studied through the use of survey design. Out of the 1,579 SMEs licensed in Embu County, this study randomly sampled 60 SMEs. The study found that there is a direct relationship of microfinance services and especially micro- credit and financial performance of the companies. The study also concludes that the enterprises benefit from loans from microfinance institutions, the SMEs seek financial assistance from the MFIs due to amount offered, interest rate, and easy loan repayment.

2.3.2 Microfinance Savings and Performance of Agribusinesses

Savings is the act where an individual sets aside some part of their income with the aim of using it on a later date. Keeping of savings can be at home, in banks under savings account, or invested as capital. Entrepreneurs wanting to secure convenient deposit services, savings

is of great importance to them because it allows small transactions and easy fund access (Gardial, 2004).

Sulemana and Adjei (2015) studied the effects microfinance has on agricultural produce in developing countries. The study was carried out in Pru district in Ghana. The main focus of the researcher was to exemplify the assertion. From the research findings, it was established that savings was used by users of the MFI to make it is possible for them to gain more loans in the future. Those MFIs also required the farmer to have accounts in order for them to access loans. Therefore, encouraging farmers to save will ease their access to loans so that they can expand farming and attain their desired benefits. There are several measures that have been suggested for the purpose of motivating clients to save: Awarding certificates regularly, offering prizes and acknowledging the best and encouraging those who are regular savers to encourage others to save regularly; Paying attractive rate of interest on saving products in order for the saver to compensate for deposit's opportunity cost and organize for a corporate day and educate customers on the advantage of saving regularly in cooperatives, than in saving at home.

Sibomana and Shukla (2016) reviewed the impacts of village savings and loan relations on growth of SME in Rwanda: Survey of Kayonza District. The research purpose was to investigate the iMacs of Village Savings and Loan Associations on SMEs growth in Rwanda. The researcher used descriptive method. The population size was 884 and sample of 564 was taken. Questionnaire was the main tool selected for collecting data. The results showed that Kayonza district has got various credit/loan services, savings services and offer advice on Investment services. Some of the services that relate with credit/loan are; providing clients with the required amount of loan, providing clients with loan within

shortest time possible, loan provision with only guarantors and no collaterals, providing loan with low rate of interests, and providing loans with flexible repayment plans based on what an individual earns. Advice as well as training touching on investment services included; providing briefings on investments regarding loan terms and conditions before one acquires the loan, provide members with workshops and seminars pertaining investment, there are follow ups and visits made by loans and savings organizations and are meant to provide their clients with business advice each month and have also come up with guarantors and advisors who form part of working teams.

Kehinde and Ashamu (2014) researched on the impact of growth and earning of SMEs in Nigeria, established that granting pioneering status for tax purpose goes a long way in creating strong foundation for earning by SMEs. Also, it was established that mostly, personal savings is used by owners of SMEs in starting business but it aunt better than debt financing especially at the stage of SMEs growth. In their research, they used the theory of pecking order which explains that companies priority on the use of internal sources of finance than taking debt involving issuance of equity enabling firms access capital at initial stages of development.

Kisaka and Mwewa (2014) did an evaluation on the impacts of micro-credit, micro-savings and training on growth of SMEs in Machakos County in Kenya. Their main focus was to establish the way growth of the SMEs is affected by training, and micro credit and savings. A sample of 100 SMEs was selected from 8 forms of businesses and data was gathered from the selected sample using questionnaires. Multiple regression analysis was used to assess association between variables. It was found that growth of SMEs is positively influenced by training, micro-credit and savings. It was also revealed that

training had insignificant influence; this could be because the training offered did not focus on the needs of the SMEs.

Rotich, Lagat and Kosgei (2015) did an evaluation on the impacts of microfinance services on SMEs performance in Kenya. In their research, they adopted explanatory research design to review the way performance of the SMEs was affected by microfinance services. Targeted population was all SMEs registered in Kiambu; a sample of 270 SMEs was used. SPSS was applied in analyzing the data. The study established that accessibility of saving schemes, training on management and repayment periods significantly affect SMEs performance. It was determined that an increase in microfinance provision levels will positively influence performance of the enterprises.

Manu (2015) reviewed how performance of SMEs in Kumasi Metropolis is affected by loan and savings companies. Qualitative and quantitative approaches were used to survey 95 SMEs owners/managers and 20 Credit Officers of SLCs in an attempt to employ a questionnaire investigate the adequacy of loans given by SLCs, identify the challenges of SMEs in accessing credit facilities, determine the credit utilization of SMEs and determine how loan accessibility influence SMEs performance. The result of the study shows that SMEs in the Kumasi metropolis sourced capital to start business from their savings, friends and relatives. The operational credit of the SMEs is also sourced from personal savings, friend and family, and SLCs. The average maximum annual credit facility of GH¢77,500 was obtained in 2014 at a high average interest rate of 6.3% per month. This interest rate partly contributed to the default rate of 6.28% per annum among the savings and loans companies.

Kurgat (2007) conducted a study on KWFT and established that customers preference was credit and saving services in the MFIs with the main reason for them saving being expansion of their business as indicated by 62% of the respondents, 40% used the funds in educating their kids, 26% for emergencies and another 71% considered compulsory savings as a way of encouraging saving. Research findings established that savings is very crucial in improving financial performance as well as outreach especially in remote regions where accessibility to financial services poses a great challenge.

Naomi, (2013) conducted a research on impacts of MFIs services on growth of SMEs in Machakos County. She used quantitative descriptive design to investigate the type of business categories. The target population was 5311 SMEs operating in different business categories. The study mainly used primary data through the use of structured questionnaires issued to 100 businesses. The study was on dependent and independent the regression analysis conducted established that two of the independent variables (savings and access to loans) have a positive correlation with the dependent variable. Sales growth has been contributed positively through Micro credit and training and negatively through micro insurance. This indicated presence of strong positive relationship between the study variables.

Rotich, Kosgei and Lagat (2015) conducted a study on the impacts of MFIs services on Kenya's SMEs performance. Over the past 20 years, there has been tremendous growth observed in Kenya's MSMEs sector but there are challenges that are faced. There are low levels of productivity and survivalist enterprises. However, the sector is strategic in provision of future employment. The study sought to determine how the MSMEs are affected by MFI services and to achieve this, the researcher adopted the explanatory

research design. Target population was all MSMEs in Kiambu Municipal Council were a sample of 270 MSMEs was selected. Multiple regression analysis was performed and the findings established that accessibility of saving schemes, managerial training and grace period for credit were significant factors in determining performance of MSMEs. Conclusion reached was that an increase in MFI services will result to an increase in performance of the enterprises. Recommendations made was for owners of the enterprises and partners in development of policies to implement recommended changes.

2.3.3 Microfinance Training and Performance of Agribusinesses

Sharma, Vaid and Sharma (2017) reviewed the impact of training on farmer's perception, performance and entrepreneurship development. This study investigated the impact of a sponsored training programme by Agriculture Skill Council of India (ASCI) on Small Poultry Farmer of Kathua district of Jammu region. A training programme of 200 hours was conducted at the KVK Kathua. The study conducted an evaluation on effects of training on capabilities of farmers and the level of performance of their farm in the practices they undertook. The study used 20 farmers and multi-stage approach whereby data collection was through personal face-to-face feedback conducted after and before the training. To support this data, semi-structured interviews were used on selected respondents; the respondents interviewed were selected purposively. The results showed that there was a positive trend witnessed which is an indication that training was effective despite there being variations in benefits that the farmers gained. Most respondents indicated that they found the program to be useful and improved their farming.

Bateman and Chang (2017) did a critical examination of evidence of savings on MFIs in Croatia and established that the greatest importance of savings was to increase

profitability of external shareholders and managers. Also, the researchers established that there are a number of ways through which poverty can be reduced by having various interventions on policies such as the ones that were implemented in Malaysia, China, Taiwan, South Korea and India. The researcher suggested a research to be carried out to determine the role that is performed by savings in building of assets among SMEs.

Ahmad, Jadoon, Ahmad and Khan (2017) studied the effects of training that's offered and aimed at improving agricultural production in Mansehra District. It was an examination in the way training affects agricultural production of the community members of Sarhad Rural Support Program (SRSP). The study was conducted in 4 villages in the district: Batlang syeda, Lulo bandi, Singal kat and Parian. Training that was provided pertained agriculture, development of enterprises and livestock. Because of the training that the community members received, they have ventured into scientific farming. This was based on a sample of 70 individuals who benefited from the training program. The study focused on the effect brought about by training on farming patterns, crop production and size and farmers income. Because of the training, there was an increase in yields of fruits and vegetables and reduction was witnessed in death rates among livestock and diseases also reduced.

Effects training has on performance of MSEs benefiting from MFIs in Tanzania was reviewed by Kessy and Temu (2010). In this study performance was examined among two groups of MFIs beneficiaries; those who received training on entrepreneurship and those who had not. The study selected 225 MSEs and performance of the enterprises was measured using number of employees, revenue and assets of the company. Analysis was done using independent t-test. To facilitate accuracy of the research findings, the data was

ensured that it is normally distributed by subjecting it to natural logarithm. The findings showed that the enterprises that were managed by respondents who had received training had more assets and their revenue was higher than for those who had received training. The findings also showed that there was no significant different on effect of employment creation.

Dikki, Muhammad, Dogarawa and Chechet (2015) studied the effects of non-financial services of MFBs on the Performance of Women Entrepreneurs in Nigeria. Researchers focus was on evaluating the effects of services not related to finances that were offered by MFBs on the way enterprises owned by women performed. Sample of 384 female entrepreneurs was used and the selection was done on those who had access to the 24 MFBs and fitted in the category of small traders according to the Kaduna state Poverty Alleviation Unit. Cross sectional survey design was adopted where primary data was gathered using structured questionnaires and analyzed using logit regression analysis. Results showed that training and network meetings were the only services that had significant influence on the way the women enterprises. The study reached a conclusion that the non-financial services offered with the exemption of training and network meeting, did not have any significant influence on the way the enterprises performed (Dikki, Muhammad, Dogarawa & Chechet, 2015).

Ogunrinola and Alege (2017) in their study where they examined the benefits of non-financial services found that the MFIs are of great importance to small businesses in undeveloped areas of Lagos. From the results, 42 businesses reported improved business performance attributed to the loans they received. The results also indicated that there was high rates of loan repayment and reduced failure rates and also there was a reduction in

rates of migration from rural to urban areas. Pre-loan training, group membership and cross guarantee-ship positively affected development of small enterprises in the state of Lagos.

Ekpe et al. (2013) argued that skills acquisition and access to credit have been found to be relevant to women entrepreneurs' performance and hence, contribute better in enhancing sales revenue performance. Rahman, Alam and Kar (2013) observed that women lack skills and training to do business which means training is required. Yet, some microfinance institutions do not give priority to training (Kithea et al., 2013).

Haider, Asad, Fatima and Abidin (2017) studied microfinance and MSEs performance; the focus was to determine whether training has any effect. Financial accessibility is very important in improving financial performance among the MSEs. It has been established that majority of the MSEs are still poor despite them having access to finances which is the greatest challenge facing MSEs growth. This research purposed to determine the difference in indicators of performance among various owners of MSEs who received training and those who did not receive any form of training. To answer the research question, the researcher collected data from 384 MSEs. From analyzed data, it was established that increase in sales, income, assets, employment, and meeting the expenses of households were significantly different among the two groups of respondents. Policy makers benefit from the study findings since it aids them in formulating proper policies and encourage enhanced raining among the MSEs and also microfinance sector in general benefits.

Simeyo et al. (2011) carried out a study on credit accessibility and established that credit provision, mobilization of training and savings greatly and significantly affects performance. The study made use of the Simeyo (2011)'s framework which explains that

mobilization of savings, capital accessibility and training of managers had a positive effect on performance of Kenya's MSMEs. Gikonyo et al. (2006) explains that enterprises that are owned by women can succeed only an only if their managers are trained on enterprise management, on availability of affordable credit and supporting members of their families.

Mutuma (2019) studied services of MFI and performance of SMEs financially; the study was conducted among enterprises located in Meru Town, Kenya. Researchers focus was on determining the impact of credit facilities, savings programs and entrepreneur training programs. To achieve this objective, the researcher adopted a descriptive research design where data was collected from 93 respondents. Primary data collected using questionnaires was used and the data was analyzed by computing descriptive and inferential, statistics which included correlation and multiple regression analysis. Results showed that MFI services and financial performance of the enterprises were strongly and positively related (R= 0.632). Their relationship was considered significant since the p-value obtained was less than the selected level of significance (0.05). Specifically, the study established that credit facilities had p-value of 0.034, savings programs had p-value of 0.026 and entrepreneur training was 0.015. Respondents were in strong agreement that findings by MFIs led to increased entrepreneurs. Also, it was established that MFIs saved more because they could, access funds with ease and also could access other different services offered by MFIs. It is clear that credit facilities, saving program and services of entrepreneurial training significantly affected financial performance of the selected SMEs from Meru County.

Mutisya, Okibo and Olweny (2014) studied the impacts microfinance services have on women owned businesses in Kibera Slums located in the county of Nairobi. To achieve

this research objective, the researcher adopted causal-effect research design. The target population was all 48,000 enterprises owned by women in Kibera slums from which the researcher selected a sample of 396 respondents; Questionnaire was the selected data collection tool for primary data. Returned questionnaires were verified and then coded and data entered in SPSS for analysis. Collected data was analyzed using descriptive and inferential statistics and the findings presented in tables and figures. Data was also analyzed using OLM. The analyzed data established that providing finances, training programs and offering advices affected performance of the selected women owned businesses. All three variables were found to affect performance of businesses and Micro finance institutions used them as one package since it results in improving performance by increasing profitability. Also, Nairobi's county should consider forming partnerships with MFIs creating training programs with the existing business owners and new ones in order to alleviate poverty levels among residents living in the slum area. Also, Nairobi's county government needs to also consider making partnership with insurance firms and Microfinance institutions to make sure that they provide insurance products that are affordable to entrepreneurs in the area.

2.4 Conceptual Framework

A conceptual framework refers to logical development, description and elaboration of networks of interrelationships between variables integrated in explaining dynamics of a situation that is under investigation. According to Kothari (2013) relevant but differing principles and concepts are represented in a diagram that shows that association and the way the different variables relate with each other. The study seeks to establish effect of

Microfinance Institutions services on performance of Agribusinesses in Kenya. The independent variables are microfinance loans, saving and training. The dependent variable is performance of Agribusinesses.

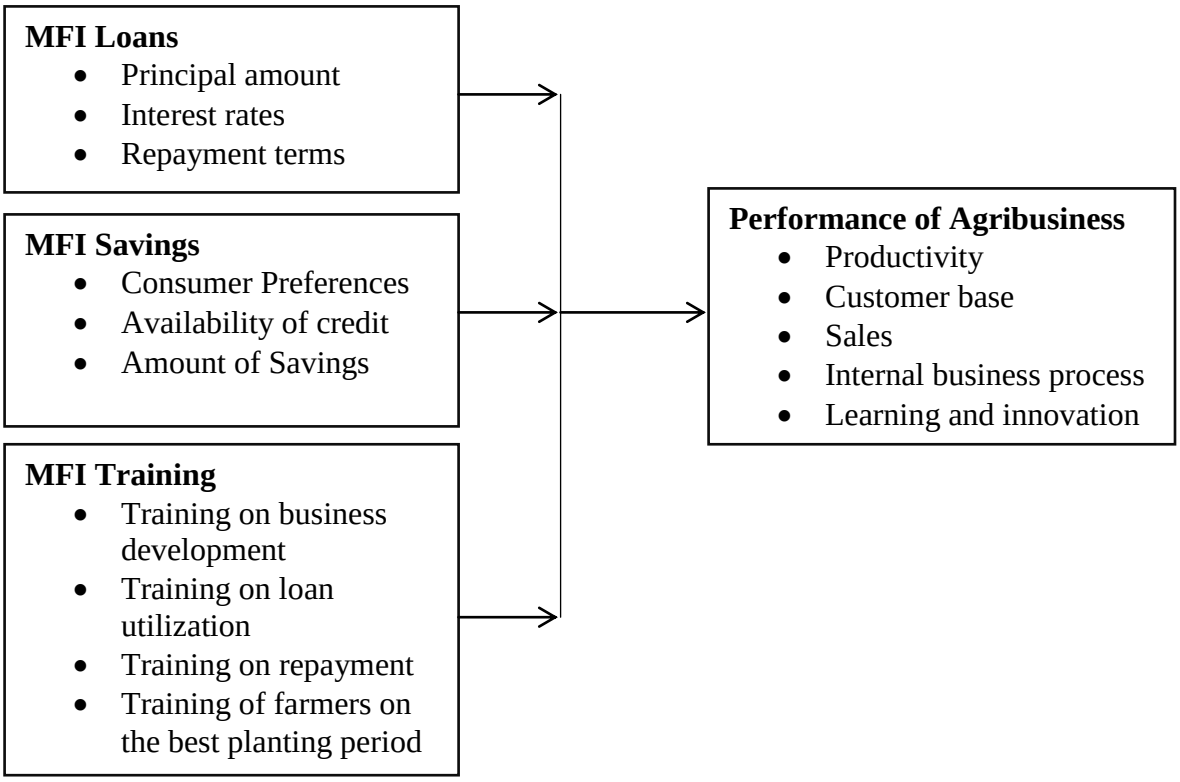

Figure 2.1: Conceptual Framework

2.5 Critique of Literature Review

Akwaa-Sekyi (2013) studied how farming activities in rural area is affected by micro loans; the stud as conducted among communities in Sunyani area practicing farming. This study focused on farming communities within Sunyani Area in Ghana, the focus of present study will be on Agribusinesses in Kenya. Nyamwihula (2017) reviewed impacts of MF credit on the way SMEs in Tanzania perform. This study generally focused on MFI loans on SMEs, the focus of this present study will be on Agribusinesses in Kenya. Wanambisi (2013) reviewed the impacts of MF lending on performance of businesses: a survey of

MSEs in Kitale Municipality, Kenya. This study generally focused on MFI loans on SMEs, the focus of current research will be on Agribusinesses in Kenya.

Sibomana and Shukla (2016) reviewed the impact of village savings and loan associations on SME growth in Rwanda: Survey of Kayonza District. This study generally focused on savings on SMEs, the focus of present research will be on Agribusinesses in Kenya. Mwewa and Kisaka (2014) evaluated the impacts of micro-credit, micro-savings and training on the growth of SMEs in Machakos County in Kenya. This study generally focused on micro savings on SMEs, the focus of current study will be on micro savings on Agribusinesses in Kenya. Rotich, Lagat and Kosgei (2015) evaluated how performance of SMEs in Kenya is influenced by microfinance services. This study generally focused on MFI services on SMEs, the focus of present research study will be on micro savings on Agribusinesses in Kenya.

Vaid and Sharma (2017) reviewed the impact of training on farmer's perception, performance and entrepreneurship development. Ahmad, Jadoon, Ahmad and Khan (2017) studied effects of trainings imparted to enhance agricultural production in District Mansehra. This study focused on training and agricultural production, the focus of this present study will be on training and performance of Agribusinesses in Kenya. Kessy and Temu (2010) studied effects training has on MSEs perform in Tanzania. The focus of their study was training on SMEs performance, the focus of this present study will be training on performance of Agribusinesses in Kenya. Dikki, Muhammad, Dogarawa and Chechet (2015) studied the impact of non-financial services of MFBs on the way Women Entrepreneurs in Nigeria performed. This study focused on Women Entrepreneurs in Nigeria, the focus of this present study will be on Agribusinesses in Kenya. The aim of

this study is to fill the contextual and conceptual gaps from previously done studies by establishing effect of MFIs services on performance of Agribusinesses in Kenya.

2.6 Operationalization of Variables

Operationalization is the process of strictly defining variables into measurable factors (Yin, 2013).

Table 2.1: Operationalization of Variables

Type	Variable	Operationalization	Measurement	Hypothesized Direction
Independent Variable	Microfinance loans	• Principal amount • Interest rates • Repayment terms	Likert scale	Positive/Negative
Independent Variable	Microfinance savings	• Consumer Preferences • Availability of credit • Amount of Savings	Likert scale	Positive/Negative
Independent Variable	Microfinance training	• Training on business development • Training on loan utilization • Training on repayment • Training of farmers on the best planting period	Likert scale	Positive/Negative
Dependent Variable	performance of Agribusinesses	• Productivity • Customer base • Sales • Internal business process • Learning and innovation	Likert scale	None

2.7 Research Hypotheses

The study sought to test the following null hypotheses:

H_{01}: Microfinance loans do not significantly affects performance of Agribusinesses in Kenya H_{02}: Microfinance savings does not significantly affect performance of Agribusinesses in Kenya

H_{03}: Microfinance training does not significantly affect performance of Agribusinesses in Kenya

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The study presents methodological approach that was used. Specifically, the design adopted, study population, sample size, data collection procedure, instrumentation, pilot test and data analysis and presentation was discussed.

3.2 Research design

Descriptive research design was adopted. Mugenda and Mugenda (2003) explained this type of a research design to be systematic empirical enquiry whereby the researcher cannot directly manipulate the independent variable because they have already manifested themselves or because naturally they can't be controlled. The main concern of this type of design is answering, what, where and how aspects of a phenomenon and are therefore most suitable in determining the characteristics of the phenomenon. This study considers descriptive research design to be most suitable because the aim of the study is building profile on effects of MFIs services on performance of Agribusinesses in Kenya. Githinji (2016) adopted a descriptive research design in determining the effect of Microfinance Institutions services on the performance of the SMEs in Nairobi County. Mutua (2016) adopted a descriptive research design in determining the effect of microfinance services on poverty reduction in Makueni County. Murad and Idewele (2017) used a descriptive research design to establish the impact of microfinance institution in economic growth of a country: Nigeria in focus.

3.3 Target Population

Ngechu (2004); Kothari (2013) explained that a target population is a group of people elements or subjects that are well defined and are under investigation. For this study, targeted population was 3,163 small scale and large scale farmers in Trans-Nzoia County who are active member of microfinance institutions and have been accessing loan from the Microfinance institution for the last 5 years (Visionfund Kenya, 2019). Table 3.1 presents the target population.

Table 3.1: Target Population

Farmers Category	Frequency	Percent
Large Scale Farmers	2436	87
Small Scale Farmers	727	13
Total	**3,163**	**100%**

3.4 Sample Size and Sampling Technique

According to Yin (2013) sampling is the process whereby a small and a representative sample is selected from a study population. Burns and Grove (2014) added that a sample is a small representation of a target population and is drawn for the purpose of analysis. Yamane (1967) formula was used to determine the sample size. Simple random sampling technique was applied because every farmer gets equal opportunities of being selected as part of the sample and hence used in selecting 355 farmers to be used in the study.

The formula is $n= N / [1+N (e)^2]$

Where n = sample size,

N = population size

e = error term (0.05)

Hence, $n = 3163/ [1 + 3163(0.05)^2] = 355$

From the formula, the sample size was 355 which represent 11.22% of targeted population. Mugenda and Mugenda (2008) indicated that a sample that ranges between 10-50% of the entire population being investigated is considered to be representative.

Table 3.2: Sample Size

Farmers Category	Population	Proportion	Sample Size
Large Scale Farmers	2436	11.22%	273
Small Scale Farmers	727	11.22%	82
Total	**3,163**	**11.22%**	**355**

3.5 Instrumentation

A structured questionnaire was selected data collection tool from selected respondents (Appendix II). Creation of the questionnaire focused on addressing all research questions. Questionnaires used were semi structured; through the close-ended questions the study collected more structured responses which allowed for recommendations that are more tangible. Also, testing the rating of different attributes was possible using the close-ended questions and helped lower responses that are related facilitating more varied responses. Through the open-ended questions respondents were able to provide additional information that they see relevant ad was not covered in the closed ended questions.

3.6.1 Validity

The aim of the pilot test was pretesting of the data collection instrument. A sample size of 36 respondents, which is a representation of 10% of study target population, selected from Trans- Nzoia County was used in pretesting the questionnaire. Validity is used to show whether an instrument provides the measures of what it is designed to measure. Gakuu and Kidombo (2011) explained validity as how appropriate, meaningful and useful an inference created by a researcher is. This study used the content analysis method. According to

Mugenda and Mugenda (2003) content validity involves the use of a professional or expert in a particular field to review the questionnaire which helps in discovering any errors in wordings, sequence or content before embarking of actual data collection; it also helps to explore other ways the data collection tool can be improved. The researcher sought the opinion of experts who in this case were project supervisors and lecturers; their feedback guided modification and revision of the questionnaire and therefore enhanced validity of data collected

3.6.2 Reliability

Reliability instrument relates the instrument's capacity to be replicated; an instrument is reliable if the results obtained on a variable are similar even after being measured severally. If an instrument is reliable then it is stable meaning that if it's administered to same respondents at different times, the results obtained will be similar (Kalk *et al*., 2014). Also reliability of instrument is said to exist if the instrument is administered by different enumerators and still receive results that are consistent. Cronbach's alpha is used to measure reliability of constructs. A construct is defined as the hypothetical valuable that's being measured. The values of Cronbach's alpha usually range from 0 to 1 and a greater value indicates a greater reliability. Cronbach alpha of 0.7 and above is acceptable reliability (Nunnaly, 1978).

3.7 Data Collection

Administration of the questionnaires to the respondents was done by the researcher. The researcher made sure that all the questionnaires administered to the respondents are received back by exercising care and control and this was possible by maintaining a register for tracking administered questionnaires and the ones received back.

3.8 Data Analysis

Data was coded using SPSS (version 23). The study collected quantative data which was analysed using descriptive statistics such as mean, SD, frequencies and percentages. Correlation analysis was responsible for determining the strength and the direction of the relationship between the variables being studied. Multiple regression analysis helped establish the effect of microfinance institutions services on performance of Agribusinesses in Kenya. The multiple regression equation is specified as follows:

$$Y= \beta_0+ \beta_1X_1+\beta_2X_2+ \beta_3X_3+ \varepsilon$$

Where: Y is the dependent variable (Performance), β0 is the regression constant, β1, β_2 and β_3 are the coefficients of independent variables, X_1 is micro finance loans, X_2 is micro finance savings and X_3 is microfinance training. $\beta_{i's}$ provided the measures of sensitivity levels of the dependent variable as a result of change in the $X_{i's}$ variables. ε is the error term capturing the changes in the model that are unexplained. Presentation of the data will be done using pie charts and bar graphs.

3.9 Diagnostic Tests

3.9.1 Multicollinearity

Multicollinearity occurs when the independent variables are strongly correlated (Bryman, 2003). Strongly correlated independent variables cannot be used in the same model. In this study, tolerance and VIF was applied in testing multicollinearity. The tolerance provides measures of the effect caused by a single predictor variable on other predictor variables. If the value of T ($T = 1 – R^2$) is less than 0.01 confirms existence of multicollinearity.

VIF in linear regression is computed by dividing tolerance by one i.e. 1/T. If VIF is greater than 10, multicollinearity is present. In multiple regression analysis, when there is a strong correlation between two variables, there is an increase in the standard error of the two variables which is more than what could be found if equal uncorrelated variables were applied. Daniel and Wood (1971) discussed it and indicated that when the variables are correlated it results to an increase in standard error by $1 / (1 - R^2)$, where R is a representation of the correlation coefficient between the variables and there are instances where VIF is used to refer to Variance Inflation Factor. To avoid problems of multicollinearity, it is important to use independent variables that are not strongly correlated.

3.9.2 Linearity Test

Linearity assumption requires that the relationship between the variables be linear. It's important that the study checks for outliers because linear regression is sensitive to the effects of outlier (Creswell & Plano Clark, 2006). The best way to test if the assumption is met is by use of scatter plots. Scatter plot is drawn using the residual values on the x-axis and on the y-axis the Y values. It can be concluded that the linear assumption is met if the plot follows a linear pattern.

3.9.3 Autocorrelation Test

The data to be used in linear regression requires minimal or no autocorrelation. If the residual values are not independent from each other, then autocorrelation takes place; this means the value of y(x+1) are dependent on the values of y(x) (Cooper & Schindler, 2008). Scatter plot can be used to check for autocorrelation but also it can be tested using Durbin-Watson test. The null hypothesis for the Durbin-Watson's d tests is that the residuals aren't

linearly autocorrelated. The d value ranges from 0 and 4, if the value is found to be within 2 then it implies absence of autocorrelation. If the d values are; $1.5 < d < 2.5$ it implies absence of autocorrelation in the data. Durbin-Watson test do analyse for linear autocorrelation for only direct neighbors being the effects of 1st order.

3.9.4 Heteroscedasticity

If the variances of the errors of the predictor variables are not similar in the entire data, then there is heteroscedasticity. Tabachnick and Fidel (2001) and Field (2009) agreed that if the variances of the error terms are not the same for every predictor variable then there will be heteroscedasticity. Heteroscedasticity will take place if the residuals are not distributed evenly around the horizontal line. This study used VIF to ascertain heteroscedasticity. Skewness and kurtosis were used to examine the normality of the variables. Kline (2011) indicated that if skewness statistic lies between (-3.0, 3.0) and the kurtosis statistic lies in the interval (-10.0, 10.0) then it can be assumed that the variables are univariate normal. When carrying out linear regression it is important that the data does not show any signs of heteroscedasticity because the outcome will be ruined i.e. the coefficients will be biased (Creswell, 2006). The best way to measure homoscedasticity is by use of scatter plot. If there is presence of heteroscedasticity then the graph will be a rough cone shape.

3.9.5 Normality Assumption

Normality assumption assumes that the random variables have a normal distribution or they are nearly normal distribution. All statistical tools must have some degree of error which is similar to normality assumption. It is not possible to gather data that is exactly

normally distributed. However, most of the phenomenon that occur naturally follows a distribution that is almost normal.

To fulfill the requirement of normal distribution, Shapiro Wilk test was used (Cooper & Schindler, 2008). Null-hypothesis for this test was that the data follows a normal distribution; thus, if the p-value obtained is less than the selected level of significance (0.05), we reject the null hypothesis but if the p-value is greater than selected level of significance (0.05) we fail to reject the null hypothesis and conclude that the population is normally distributed.

3.10 Ethical Considerations

The study made sure that confidentiality, honesty among respondents/participants and data collections are observed. The study ensured confidentiality, by protecting the identity of the respondents by not disclosing their identity (DiCicco-Bloom & Crabtree, 2006). Because the respondents might not want their identity to be disclosed, the study ensured the respondents remain anonymous. Honesty from the respondents was of great importance in ensuring that the study was successful therefore, the researcher emphasized on honesty from respondents. To assure the respondents that the information they provide was solely for academic reasons, the researcher presented the introduction letter from the University and the research permit from NACOSTI. The researcher asked for permission from the microfinance institutions and also informed all the respondents beforehand about the nature and objective of the study.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

In this chapter, the study presents data analysis, interpretation, presentation and discussion of the findings obtained from the field. The chapter presents the background information of the respondents, and findings on specific objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study.

4.2 Response Rate

The study targeted 355 respondents out of which 274 dully filled and returned their questionnaires translating to a response rate of 77 %. A rate of response is 50% and above can be used for analysis and reporting, if the response rate is 70% and above it is excellent (Mugenda & Mugenda, 2003). Therefore our response rate was considered excellent and adequate for data analysis purposes. Table 4.1, presents the study's response rate.

Table 4.1: Response Rate

Questionnaire	**Frequency**	**Percent**
Returned	274	77
Unreturned	81	23
Total	**355**	**100**

4.3 Reliability analysis

Reliability was conducted using Cronbach's Alpha to ascertain reliability of data collection tool. This technique provides measures of internal consistency. Acceptable reliability is alpha value greater or equal to 0.7 as explained by Gliem and Gliem (2003). This study therefore used 0.7 as acceptable threshold value to determine reliability. From the findings presented in Table 4.2, microfinance loans had an alpha value of 0.785, microfinance

savings had alpha value of 0.766, microfinance training had alpha value of 0.814, and performance had alpha value of 0.754. From the findings, it is seen that all the variables had Cronbach's Alpha values greater than 0.7; this therefore suggests that all variables are reliable.

Table 4.2: Reliability Analysis

Scale	Cronbach's Alpha	Number of Items
Microfinance Loans	0.785	5
Microfinance Savings	0.766	5
Microfinance Training	0.814	6
Performance	0.754	5

4.4 Demographic Information

The general information of study participants that was sought was presented in this section.

4.4.1 Gender of Respondents

The study sought to determine gender of respondents and findings were as presented in Figure 4.1.

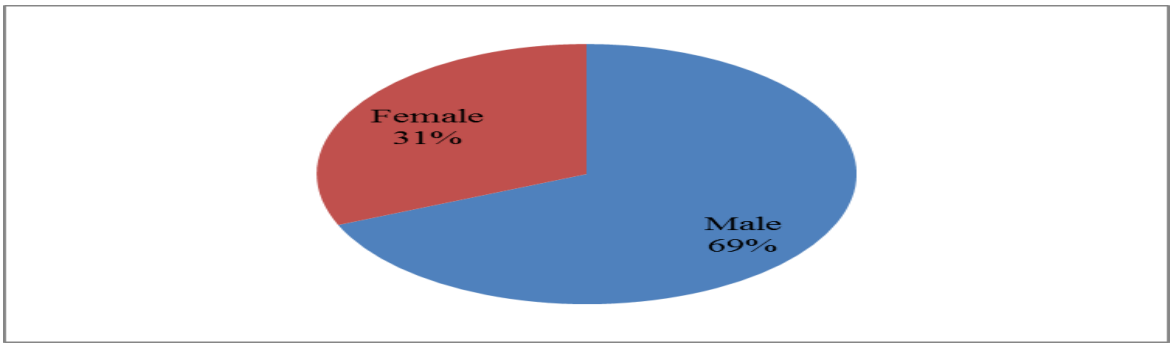

Figure 4.1: Gender of Respondents

The findings reveal that 69% of respondents were male while 31% were female. Majority of respondents used in the study were male. Therefore, the study was not gender biased because both male and female participants were used.

4.4.2 Age of Respondents

The study sought to establish the age distribution of respondents. The results obtained were as presented in Figure 4.2.

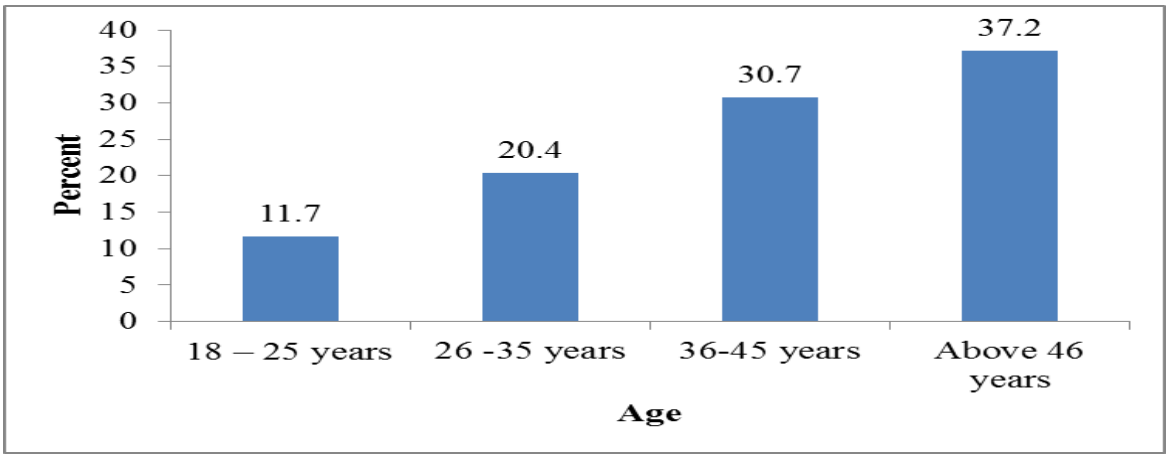

Figure 4.2: Age of Respondents

From the findings, 37.2% indicated that they were aged above 46 years, 30.7% were aged 36 to 45 years, 20.4% were aged 26 to 35 years, and 11.7% were aged 18 to 25 years. The findings suggest that respondents used in the study were of varied ages. Aged above 46 years were the majority representing 37.2%.

4.4.3 Respondents Level of Education

The study sought to determine the highest level of education attained by respondents. The findings were as presented in Figure 4.3.

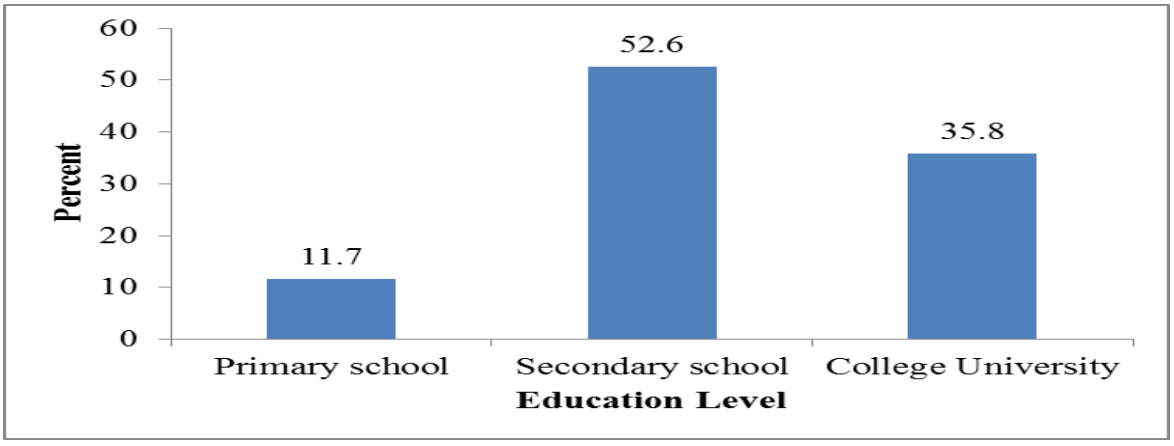

Figure 4.3: Respondents Level of Education

From the findings, 52.6% respondents had secondary school education as their highest level of education, 35.8% indicated college/university, while 11.7% indicated primary school. Therefore, from the findings, it is evident that respondents used in the study had varied levels of education. Majority of the respondents had secondary education (52.6%).

4.4.4 Respondents Length of Time Practicing Farming

The study sought to determine the length of time respondents had been practicing farming. The results obtained were as presented in Figure 4.4.

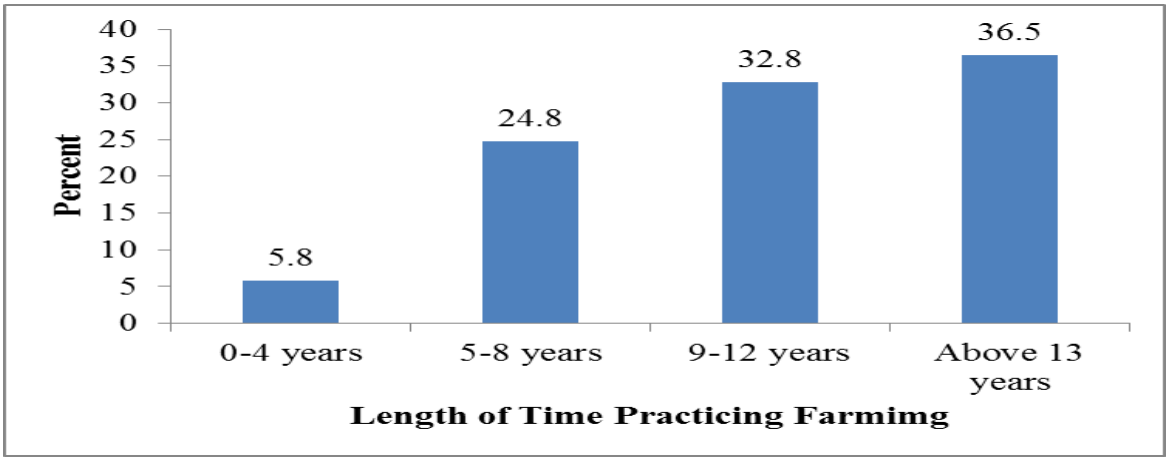

Figure 4.4: Respondents Length of Time Practicing Farming

From the findings, 36.5% of respondents indicated that they have been practicing farming for more than 13 years, 32.8% of the respondents for 9 to 12 years, 24.8% of the respondents for 5 to 8 years, and 5.8% of the respondents for 0 to 4 years. This is an indication that respondents used in the study have practiced farming for varied number of years. Most of the respondents have practiced farming for above 13 years (36.5%).

4.5 Descriptive Statistics

In this section the study presents findings on Likert scale questions where respondents were asked to indicate their level of agreement with various statements that relate with effects of Microfinance Institutions services on performance of Agribusinesses in Kenya. They used a 5-point Likert scale where 1-strongly disagree, 2-disagree, 3-moderate, 4-

agree, 5-strongly agree. The means and standard deviations were used to interpret the findings where a mean value of 1-1.4 was strongly disagree, 1.5-2.4 disagree, 2.5-3.4 neutral, 3.5-4.4 agree and 4.5-5 strongly agree.

4.5.1 Microfinance Loans on Performance of Agribusinesses

The respondents gave their level of agreement/disagreement with statements relating with effect of microfinance loans on performance of Agribusinesses in Kenya. The results were as presented in Table 4.3.

Table 4.3: Microfinance Loans on Performance of Agribusinesses

Statement	Min.	Max.	Mean	Std. Dev.
MFIs Loans with Flexible repayment terms enable me to finance the cost of the inputs, thereby improving on the yield	1.00	5.00	3.7664	.84959
MFI loans are processed very fast hence I am able to purchase the farm inputs during the right planting season	1.00	5.00	3.6277	.92191
MFI loan interest rate is favourable since am able to pay the loan and as well cater for my own needs	1.00	5.00	3.7664	.82331
MFIs have provided easy access to financial assistance and in return help me to afford certified farm inputs	1.00	5.00	3.7956	.83107
MFI loan repayment period is usually enough since am able to sale the farm produce first	1.00	5.00	3.5547	1.01216

Respondents agreed that: MFIs have provided easy access to financial assistance and in return, they have helped the respondents to afford certified farm inputs as shown by a mean of 3.7956; MFIs Loans with flexible repayment terms have enabled the respondents to finance the cost of the inputs, thereby improving on the yield as shown by a mean of 3.7664; MFI loan interest rate is favourable since respondents are able to pay the loan and as well cater for their own needs as shown by a mean of 3.7664; MFI loans are processed

very fast which has enabled respondents purchase the farm inputs during the right planting season as shown by a mean of 3.6277; and MFI loan repayment period is usually enough to allow respondents sale the farm produce first before making the repayments (3.5547).

These results therefore suggest that through MFIs, farmers are able to access financial assistance with ease and therefore assist farmers to afford inputs needed for their farming activities. Though loans offered by MFIs at flexible repayment plans, farmers are able to finance the cost of their inputs and therefore yield improves; this can be attributed by the fact that the loan repayment period is long enough and therefore farmers are able to sell their farm produce to raise the money to repay their loans. Also their loans are offed at a favorable interest rate and therefore farmers have the ability of paying back their loans and remain with finances for their personal needs. Also because the loan processing by MFIs takes a really short time, the farmers are able to purchase their farm products at the right time for planning season. MFI credit has been beneficial in expanding business because of their quality service, and low interest rate/cost of borrowing, as well as convenient repayment period. Therefore loans provided by MFIs influence farming practices.

4.5.2 Microfinance Savings on Performance of Agribusinesses

Respondents gave their level of agreement on various statements on effect of microfinance savings on performance of Agribusinesses in Kenya. Table 4.4 presents the findings.

Table 4.4: Microfinance Savings on Performance of Agribusinesses

Statement	Min.	Max.	Mean	Std. Dev.
The savings with MFIs have helped me to boost my business	1.00	5.00	3.5985	.99419
The savings with the MFIs have given me the opportunity to easily access loans	1.00	5.00	3.6204	.91493
Am encouraged to save due to the uncertain future	1.00	5.00	3.8029	.76402
I find it convenient and easy to make deposits into my account	1.00	5.00	3.7810	.74337
My MFI does not charge ledger fees on my account	1.00	5.00	3.7445	.80319

From the findings respondents were in agreement that they are encouraged to save due to the uncertain future as shown by a mean of 3.8029; the respondents find it convenient and easy to make deposits into their account as shown by a mean of 3.7810; MFIs do not charge ledger fees on the respondents' account as shown by a mean of 3.7445; the savings with the MFIs have given respondents opportunity to access loans with a lot of ease as shown by a mean of 3.6204; and the savings with MFIs have helped respondents boost their business as shown by a mean of 3.5985.

Because of the uncertainties regarding the future, farmers are usually encouraged to save some of their finances. Saving has been made easy for farmers because they can deposit money to their accounts directly using their phones and this has made the saving practice easy. To encourage farmers to save more MFIs do not charge ledger fees on farmers' account. Farmers have been able to save more through MFIs and this has made it easy for them to access loans and therefore boost their business and therefore improving performance of Agribusinesses in general.

4.5.3 Microfinance Training On Performance of Agribusinesses

Respondents gave their level of agreement with various statements that relate with the effect of microfinance training on performance of Agribusinesses in Kenya. Table 4.5 presents the findings.

Table 4.5: Microfinance Training On Performance of Agribusinesses

Statement	Min.	Max.	Mean	Std. Dev.
Through MFI training, I have acquired better management skills to manage my finances	1.00	5.00	3.8029	.75437
Through MFI training, am able to deal with farming challenges effectively hence my produce has improved	1.00	5.00	3.7956	.73767
Through MFI training, I have been empowered with better entrepreneurial skills on when to sell my produce	1.00	5.00	3.7591	.98729
Through MFI training, am able to make wise decisions on when take loans to boost farming	1.00	5.00	3.9051	.69412
Through MFI training, I know the appropriate period to plant so as to yield high produce	1.00	5.00	3.8540	.85198
Through MFI training, I have gained knowledge on what I should plant in both long and short rainy seasons	1.00	5.00	3.8540	.77071

Respondents agreed that: through MFI training, they are able to make wise decisions on when to take loans to boost farming as shown by a mean value of 3.9051; through MFI training the respondents know the appropriate period to plant so as to yield high produce as shown by a mean value of 3.8540; through MFI training, respondents have gained knowledge on what they should plant in both long and short rainy seasons as shown by a mean value of 3.8540; through MFI training, respondents have acquired better management skills to manage their finances (M=3.8029); through MFI training, respondents are able to deal with farming challenges effectively hence their produce has improved (M=3.7956); and through MFI training, respondents have been empowered with better entrepreneurial skills on when to sell their produce (M=3.7591).

These findings have shown that through training of farmers, their decisions on loans have improved and are therefore able to make wise decisions resulting to improved farming. MFIs have also offered training in collaboration with other relevant stakeholders and this has helped farmers identify the best crops that do will in their areas and also the best season for them to plant. Also farmers have been educated on crops that take little time to mature and therefore increase their productivity. Farmers have also been trained on financial knowledge/literacy and are therefore able to manage their finances efficiently and effectively and this has improved their personal wellbeing and that if their farming activities. Training has also been beneficial, to farmers because they are able to effectively deal with challenges that relate with farming activities. Through entrepreneurial skills farmers are able to market their produce better and this increases their revenue.

4.5.4 Performance of Agribusinesses

Respondents gave their level of agreement/disagreement with various statements on performance of Agribusinesses in Kenya. Table 4.6 presents the findings.

Table 4.6: Performance of Agribusinesses

Statement	Min.	Max.	Mean	Std. Dev.
My farm profitability has increased	1.00	5.00	3.8394	.81410
Farm sales have increased due to knowledge that I have gained from the MFI training	1.00	5.00	3.8321	.71170
MFI loans have led to increase in my farm yield	1.00	5.00	3.7737	.95306
Savings with the MFIs have helped me to service the entire loan to maturity and I have manged to get increased farm produce without being auctioned by the MFI	1.00	5.00	3.7737	.79368
Training acquired from the MFIs have helped me to plant in good time with measured moisture content and putting pesticides thus increasing farm yield at the end of the planting season	1.00	5.00	3.6861	.84517

From the findings, respondents agreed that their farm profitability has increased as shown by a mean of 3.8394; farm sales have increased due to knowledge respondents have gained from MFI training as shown by a mean of 3.8321; MFIs loans have led to increase in respondents' farm yield as shown by a mean of 3.7737; savings with the MFIs have helped respondents to service the entire loan to maturity with a lot of ease and thus able to get increased farm produce without being auctioned by the MFIs as shown by a mean of 3.7737; and training acquired from the MFIs have helped respondents to be able to plant in good time with measured moisture content and putting pesticides thus increasing farm yield at the end of the planting season as shown by a mean of 3.6861.

These findings have shown that positive results have been observed in Agribusinesses. Farmers recorded an increase in their profitability; this is attributed to increased sales as a result of increased knowledge gained through trainings offered by MFIs. Farmers have also increased their yields because they can easily access loans; and this is attributed to improved savings by farmers which also enable them to service loans. Training has also helped farmers to have perfect timing for planting and measuring moisture content and putting pesticides which increase farms yields.

4.6 Inferential Statistics

The relationship between study variables is determined by computing inferential statistics. This study computed correlation and multiple regression analysis.

4.6.1 Diagnostic Tests

The study first tested whether the data met regression assumptions of multicollinearity, autocorrelation, heteroscedasticity and normality.

4.6.1.1 Multicollinearity

Variance Inflation Factor (VIF) was used to measure multicollinearity. According to Bryman and Cramer (2012) if the VIF value is greater than 4, further investigation is warranted, if there is more than one variable having a VIF value exceeding five, one of them has to be dropped. From the findings presented in Table 4.7, the VIF values for all the variables was less than 5, a clear indication that multicollinearity doesn't exist between the study variables. The variables were found to lack high correlations among themselves, therefore, results of multiple regression analysis were not misleading.

Table 4.7: Multicollinearity Test Statistics

	Tolerance	VIF
MFI Loans	.778	1.286
MFI Savings	.685	1.459
MFI Training	.671	1.491

4.6.1.2 Autocorrelation Test

Autocorrelation was checked in linear regression model using Durbin-Watson test. The null hypothesis for the Durbin-Watson's d tests is that the residuals are not linearly autocorrelated. The d value ranges from 0 and 4, if the d values are; $1.5 < d < 2.5$ it implies absence of autocorrelation in the data. Findings presented in Table 4.8 show that the d-value was 2.228; since the value lies within the range $1.5 < d < 2.5$, then we conclude that there is no autocorrelation in the data and therefore regression analysis can be computed using the data.

Table 4.8: Durbin-Watson Autocorrelation Test

Model	Durbin-Watson
1	2.228

4.6.1.4 Heteroscedasticity

Vinod (2008), states that Heteroscedasticity refers to an instance where variable variability is unequal over ranges of values for the variable predicting. Breuch-pagan / cook-weisberg test was used to test for Heteroscedasticity. The null hypothesis for this test is that the variances of error terms are equal (Vinod, 2008). If "Prob > Chi-squared" is greater than 0.05 it suggests existence of homoscedasticity (Park, 2008). The findings presented in Table 4.9 shows $Chi^2 = 2.6874$ is greater than P (0.541). This therefore suggests insignificance.

Table 4.9: Breusch-Pagan / Cook-Weisberg test for heteroscedasticity

Ho: Constant variance			
Statistics	Df	Stat value	p-value
Chi-squared	3	2.6874	0.5412

4.6.1.5 Normality Assumption

Before computing regression analysis, normality assumption must be met; failure to do so results in distorted tests for significance and relationships. Shapiro Wilk Test was used to test for normality assumption. The null hypothesis is that the data is normally distributed. We reject the null hypothesis if the p-value is less than the selected level of significance (0.05), suggesting that the data used is not from a normal population, does not follow a normal distribution. If the p-value obtained is greater than the selected level of significance (0.05), we fail to reject the null hypothesis and conclude that the data is from a normal population, is normally distributed.

Table 4.10: Shapiro-Wilk Test

	Shapiro-Wilk		
	Statistic	**df**	**Sig.**
Performance of Agribusinesses	.923	274	.078
MFI Loans	.918	274	.059
MFI Savings	.921	274	.087
MFI Training	.899	274	.094

From the findings in Table 4.10, the results of the analysis shows that performance of Agribusinesses in Kenya had p-value=0.078>0.05; microfinance loans had p-value=0.059>0.05; microfinance savings had p-value=0.087>0.05; and microfinance training had p-value=0.094>0.05. This shows that all the variables were normally distributed and hence the data meets the regression analysis assumption of normality of data.

4.7.1 Correlation Analysis

The strength and direction of relationship between two variables is determined by computing correlation analysis.

Table 4.11: Correlation

		Performance	MFI Loans	MFI Savings	MFI Training
Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	274			
MFI Loans	Pearson Correlation	.451**	1		
	Sig. (2-tailed)	.000			
	N	274	274		
MFI Savings	Pearson Correlation	.527**	.400**	1	
	Sig. (2-tailed)	.000	.000		
	N	274	274	274	
MFI Training	Pearson Correlation	.541**	.422**	.525**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	274	274	274	274

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

From the findings in Table 4.11 above, MFI loans had a positive and significant correlation with performance of Agribusinesses (r=0.451, p-value=0.000<0.01). The findings also showed that MFI savings had a strong positive significant relationship with performance of Agribusinesses (r=0.527, p-value=0.000<0.01). Finally, the findings shows that MFI Training had a strong positive significant correlation with performance of Agribusinesses (r=0.541, p-value=0.000<0.01). These findings therefore suggest that microfinance loans, microfinance savings and microfinance training influences performance of Agribusinesses in Kenya. Diagne and Zeller (2015) indicated that through microfinance, low income earners can be assisted in alleviating their financial challenges and therefore be in a position to acquire investment inputs which they could not be in a position to acquire without the help of the microfinance.

4.7.2 Multiple Regression Analysis

The study computed multiple regression analysis to establish the effect of Microfinance Institutions services on performance of Agribusinesses in Kenya. To ensure accuracy of regression analysis, the study first tested the five regression assumptions presented under diagnostic tests.

4.7.2.1 Model Summary

Model summary was used to establish amount of variation in performance of Agribusinesses that can be explained by changes in microfinance loans, microfinance savings and microfinance training.

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.639[a]	.408	.401	.22582

a. Predictors: (Constant), MFI Training, MFI Loans, MFI Savings

From the findings in the above Table 4.12, the value of adjusted R square was 0.401 which suggests that 40.1% variation in performance of Agribusinesses can be explained by changes in microfinance loans, microfinance savings and microfinance training. The remaining 59.9% suggests that there are other factors that can be attributed to variation in performance of Agribusinesses in Kenya that were not discussed in this study. Correlation coefficient (R) shows the relationship strength between the study variables. From the findings the variables were strongly and positively related as indicated r= 0.639.

4.7.2.2 Analysis of Variance

Analysis of variance is used to determine whether the model is significant; whether the model was a good fit for the data.

Table 4.13: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.483	3	3.161	61.991	.000[b]
	Residual	13.768	270	.051		
	Total	23.251	273			

a. Dependent Variable: Performance of Agribusinesses

b. Predictors: (Constant), MFI Training, MFI Loans, MFI Savings

The results in Table 4.13 indicate that the model was significant since the p-value (0.000) was less than 0.05 thus the model is statistically significance in establishing the effects of microfinance loans, microfinance savings and microfinance training on performance of Agribusinesses in Kenya. Further, the F-calculated (61.991) was greater than the F-critical (2.638) suggesting that Microfinance Institutions services can be used to predict performance of Agribusinesses in Kenya.

4.7.2.3 Beta Coefficients of the Study Variables

Table 4.14: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.753	.229		3.291	.001
	MFI Loans	.225	.057	.209	3.936	.000
	MFI Savings	.283	.056	.284	5.027	.000
	MFI Training	.298	.056	.303	5.296	.000

a. Dependent Variable: Performance of Agribusinesses

From the results of the Table 4.14 above, the regression equation model was fitted as follows: $Y = 0.753 + 0.225X_1 + 0.283\ X_2 + 0.298\ X_3$

The model equation above reveals that holding the variables microfinance loans, microfinance savings and microfinance training to a constant zero, the autonomous performance of Agribusinesses was 0.753 as shown in Table 4.14.

Microfinance loans has a positive influence on performance of Agribusinesses (β = 0.225. The influence was significant since the p-value obtained (P = 0.000) was less than the selected level of significance (0.05). Therefore, increasing microfinance loans results to an increase in performance of Agribusinesses in Kenya by 0.225 units.

Microfinance savings has a positive influence on performance of Agribusinesses (β = 0.283). The influence was significant since the p-value obtained (P = 0.000) was less than the selected level of significance (0.05). Therefore, increasing microfinance savings results in improved performance of Agribusinesses in Kenya by 0.283 units.

Microfinance training positively influences performance of Agribusinesses (β = 0.298). The influence of Microfinance training was significant since the p-value obtained (P = 0.000) was less than the selected level of significance (0.05). Therefore, increasing microfinance training would result in improved performance of Agribusinesses in Kenya by 0.298 units.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter entails presentation of the summary of the findings, conclusions, recommendations as well as suggestions for further studies. Summary of the findings, conclusions as well as recommendations for further studies were based on the purpose and objectives of this study.

5.2 Summary of Findings

5.2.1 Microfinance Loans and Performance of Agribusinesses

The study found that MFIs have provided easy access to financial assistance and in return helped farmers to afford certified farm inputs. The study also established that MFIs Loans with Flexible repayment terms enable farmers to finance the cost of the inputs, thereby improving on the yield; MFI loan interest rate is favourable since farmers are able to pay the loan and as well cater for their own needs. These findings are in agreement with the findings of Nyamwihula (2017) that there is a strong association between the size of the loan and performance of the enterprise and slight significant association between times of loan processing and the performance of SME.

In addition, it was established that MFI loans are processed very fast hence farmers are able to purchase the farm inputs during the right planting season and finally MFI loan repayment period is usually enough since it allows farmers to sell the farm produce first before the loan matures. MFI credit has been beneficial in expanding business because of their quality service, and low interest rate/cost of borrowing, as well as convenient repayment period. Therefore loans provided by MFIs influence farming practices. This

concurs with the findings of Nyamwihula (2017) who sought to establish the effect of microfinance loans on performance and found that after the businesses made use of the loans they received over time, there was an increase witnessed in their gross profit. This is an indication that loans have a positive influence business performance which applies to farmers and Agribusinesses performance.

5.2.2 Microfinance Savings on Performance of Agribusinesses

The study established that farmers are encouraged to save due to the uncertain future and that they find it convenient and easy to make deposits into their account. These findings agrees with Angelucci, Karlan and Zinman (2015) who explained that Microfinance offer services that range from savings, credit, insurance, cash transfer and that providing flexible and safe services to the poor, can have significant influence on various strategies of the poor, such as risk minimization, mitigation of income variation, tackling unexpected emergencies and expenditure and developing a small base for assets over time.

The study also established that MFI does not charge ledger fees on farmers' account and that savings with the MFIs have given farmers the opportunity to easily access loans; this agrees with Gardial (2004) who explained that entrepreneurs wanting to secure convenient deposit services, savings is of great importance to them because it allows small transactions and easy fund access. The study also established that savings with MFIs have helped farmers to boost their business through acquiring loans. Through savings programs offered to farmers by MFIs, farmers can improve the performance of Agribusinesses.

5.2.3 Microfinance Training On Performance of Agribusinesses

The study established that through MFI training, farmers: are able to make wise decisions on when to take loans to boost farming; know the appropriate period to plant so as to yield high produce; have gained knowledge on what they should plant in both long and short rainy seasons; have acquired better management skills to manage their finances; are able to deal with farming challenges effectively hence their produce has improved ; and have been empowered with better entrepreneurial skills on when to sell their produce.

These concurs with findings of Ahmad, Jadoon, Ahmad and Khan (2017) that because of the training, there was an increase in yields of fruits and vegetables and a reduction witnessed in death rates among livestock and diseases. It also concurs with Kessy and Temu (2010) that enterprises managed by respondents who had received training had more assets and their revenue was higher than for those who had not received training.

Training that was provided pertained agriculture, development of enterprises and livestock. Because of the training that the farmers received, they have ventured into scientific farming. Because of the training, there was a yields and reduction was witnessed in death rates among livestock and diseases also reduced. The findings agree with Kessy and Temu (2010) that the enterprises that were managed by respondents who had received training had more assets and their revenue was higher than for those who had received training.

5.3 Conclusions

The study found out that microfinance loans have a significant effect on the performance of Agribusinesses. Increasing microfinance loans lead to an increase in performance of

Agribusinesses in Kenya. Microfinance savings and performance of Agribusinesses have a significant positive relationship. Increasing microfinance savings lead increase in performance of Agribusinesses in Kenya.

Finally, the study established that Microfinance training and performance of Agribusinesses have a statistically significant positive relationship. Thus, increasing microfinance training lead to an increase in performance of Agribusinesses in Kenya.

5.4 Recommendations

Microfinance loans were found to positively influence performance of Agribusinesses. The study therefore recommends the government to put in place policies that favor financial institutions and farmers; this will ensure that farmers are not locked out of accessing loans which will enable them to expand their businesses, therefore facilitating growth and development of Agribusinesses.

There is need to increase awareness on availability and requirements for accessing MFI loans; this can be achieved by microfinance institutions partnering with the government and other stakeholders. The vision of MFIs is to alleviate poverty; the study therefore recommends them to provide farmers with starting capital so that they can monitor their welfare. The study also recommends MFI to improve the time it takes for them to disburse loans, this will reduce frustrations by customers or them seeking other sources which in the long run might be more expensive and therefore influence growth negatively.

The study recommends MFIs to diversify their products to include products such as insurance, buying of shares etc. to attract more customers and facilitate their retention. This will help solve challenges experienced by MFIs with limited products. A variety of

products may attract customers and in turn make MFI first choice source of credit and make them competitive.

The study also recommends MFIs to offer their customers with financial training/advisory before disbursing loans; they should also reduce their rates of lending and improve delivery of service as well as train people on management of risks and finances.

There is need to provide an enabling environment for farmers to grow and thrive, and thus there needs to be developed strategies to enhance increased access to microfinance credit by farmers from commercial banks and microfinance institutions. It is important for the government to set up policies that will ease microfinance credit to farmers.

5.5 Suggestions for Further Studies

This study focused on establishing the effect of Microfinance Institutions services on performance of Agribusinesses in Kenya. Since this was conducted in Trans-Nzoia County, the study recommends replication of the study in other counties practicing farming to facilitate comparison and generalization of the research findings. The study was conducted in Agribusinesses; there is need to replicate the study in other sectors of the economy such as manufacturing industry.

The study was only limited to few factors of microfinance institution services. So as to enable comprehensive generalization of the study's findings, the study recommends more variables like insurance to be incorporated in the future studies. This will enhance distinctive determination on the relation between the variables.

The study recommended that the design of micro savings should be changed to align to the client's needs such that withdrawal procedures should be made easier and the

time period for consequent withdrawals be reduced; and that the government to partner with the MFIs and conduct civic education to reach out to the small scale entrepreneurs.

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APPENDICES

Appendix I: Introductory Letter

Dear Respondent,

I am researching on the ***Effect of Microfinance Institutions services on Performance of Agribusinesses in Kenya*** as a partial requirement for the award of Master's degree at KCA University. You have been selected as a respondent and you are requested to fill the attached questionnaire with honest responses. This is an academic research and therefore any information you provide will be used for academic purposes only and confidentiality will be observed. Thanks for your willingness to be part in the study.

Yours sincerely,

Lucy Nekesa Namonyo

Appendix II: Questionnaire

Kindly fill the questionnaire by ticking the most appropriate response

Part A: Demographic Information

1. What is your gender?
   Male ( ) Female ( )

2. Kindly indicate your age
   18 – 25 years ( )

   26 -35 years ( )

   36-45 years ( )

   Above 46 years ( )

3. What is your level of Education?
   Primary school ( )

   Secondary school ( )

   College University ( )

   Others……

4. For how long have you been practicing farming?
   0-4 years ( )

   5-8 years ( )

   9-12 years ( )

   Above 13 years ( )

Part B: Microfinance Loan

5. Indicate your level of agreement on the following statements about effect of microfinance loans on performance of Agribusinesses in Kenya where 1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree

Statements	**1**	**2**	**3**	**4**	**5**

MFIs Loans with Flexible repayment terms enable me to finance the cost of the inputs, thereby improving on the yield					
MFI loans are processed very fast hence I am able to purchase the farm inputs during the right planting season					
MFI loan interest rate is favorable since am able to pay the loan and as well cater for my own needs					
MFIs have provided easy access to financial assistance and in return help me to afford certified farm inputs					
MFI loan repayment period is usually enough since am able to sale the farm produce first					

Part C: Microfinance Savings

6. Indicate your level of agreement on the following statements about effect of microfinance savings on performance of Agribusinesses in Kenya.

   1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree

Statements	**1**	**2**	**3**	**4**	**5**
The savings with MFIs have helped me to boost my business					
The savings with the MFIs have given me the opportunity to easily access loans					
Am encouraged to save due to the uncertain future					
I find it convenient and easy to make deposits into my account					
My MFI does not charge ledger fees on my account					

Part D: Microfinance Training

7. Indicate your level of agreement on the following statements about effect of microfinance training on performance of Agribusinesses in Kenya.

   1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree

Statements	**1**	**2**	**3**	**4**	**5**
Through MFI training I have acquired better management skills to manage my finances					
Through MFI training am able to deal with farming challenges effectively hence my produce has improved					
Through MFI training have been empowered with better entrepreneurial skills on when to sell my produce					
Through MFI training am able to make wise decisions on when take loans to boost farming					
Through MFI training I know the appropriate period to plant so as to yield high produce					
Through MFI training gained knowledge on what is should plant in both long and short rainy seasons					

Part E: Performance of Agribusinesses in Kenya

8. Indicate your level of agreement on the following statements about on performance of Agribusinesses in Kenya.

   1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree

Statements	**1**	**2**	**3**	**4**	**5**

My farm profitability has increased					
Farm sales have increased dues to knowledge I gained from MFI training					
MFIs loans have led to increase in my farm yield					
Savings with the MFIs have helped me to service the entire loan to maturity and got increase farm produce without being auctioned by the MFIs					
Training acquired from the MFIs have helped me planting in good time with measured moisture content and putting pesticides thus increasing farm yield at the end of the planting season					

THANK YOU