Microfinance And Organizational Performance Of Small & Medium Hotels And RestaurantsIn Kenya: The Case Of Nakuru City.

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ABSTRACT: Microfinance involves the provision of financial services to low-income individuals and enterprises to start and run their business operations (Robinson 2002). The financial intermediation includes the provision of savings,accepting deposits, credit, insurance services, training on access and use of credit and management skills. Micro finance services are provided mainly by Micro finance institutions, formal lending institutions (such as banks and cooperatives saving societies .Small and medium Enterprises continue to fail from the problems that microfinance institutions claim to offer. A survey by the Kenya National Bureau of Statistics (2016) indicates that 3 out of 5 SMEs fail within their first few months of operation. The study sought to assess the effect of microfinance institutions on the organizational performance of SMEs in Nakuru town. The specific objectives of the study are, to determine the effect of microfinance loans on organizational performance of SMEs in Nakuru town, to determine the effect of training offered by MFIs the on organizational performance of SMEs in Nakuru town, to determine the effect of microfinance saving on the organizational performance of SMEs in Nakuru town, to determine the effect of microfinance insurance on organizational performance of SMEs in Nakuru town and to determine the combined effect of microfinance insurance, saving, loans and training on the organizational performance of SMEs in Nakuru town. The study used descriptive research design since it was easy and it provided high quality data. The target population for the study was 300 registered hotels and restaurants with a sample size of 25 SMEs within Nakuru town. Stratified sampling technique was used where strata included organization offering same products and services. The reliability of research instruments was achieved through Cronbach's Alpha technique. A multiple regression model was used to establish the relationship between MFIs and organization performance of SMEs. Structured questionnaires were used in collecting primary data. The questionnaires were reviewed, edited and analyzed in order to ensure accuracy of data. The data was analyzed using SPSS software in order to make data entries. From the study findings, all the variables positively correlated with organizational performance. Microloans, insurance and savings were not statistically significant, while training had a statistically significant effect on organizational performance. The study concluded that microloans, insurance and micro savings did not affect organizational performance while training had a significant effect. The study recommended that future researchers do further research on the topic. The research study also recommended the government and policy makers to come up with appropriate policies for the MFIs and business owners.

Key Words: *Customer satisfaction, Market share, micro loans, micro insurance, micro-training, microfinance, micro finance institution, organizational performance, Sales, Small and medium enterprises.*

I.   INTRODUCTION

In most parts of Kenya, many households are poor and therefore it is important to find ways to alleviate poverty among the affected families. Most SMEs serve as a source of livelihood for these poor families either through employment opportunities or as a source of income. SMEs play an important role in the economy such as production of goods and services as well as the development of skills in the effort to reduce poverty (Turyakira, 2017). The government of Kenya uses entrepreneurial culture for it is an affordable engagement. Furthermore, this activity requires minimal training for it to run successfully although this is debatable and thirdly there is a correlation between SMES and economic factors such as creation of employment opportunities. Lack of enough capital and access to affordable training are a barrier that most small and mediumentrepreneurs face hence there's a need for MFIs to come in and offer financial support to both existing and emerging enterprises. MFIs gained prominence in Kenya due to the fact that the formal banking sector since independence up to late 2000 regarded the informal sector as risky and not commercially viable (Kamau, 2010). According to Maengwe (2016) in his survey of financial constraints hindering growth of SMEs, he found that the factors affecting growth were capital, cost, capital access, collateral requirements, capital management and cost of registration.

Microfinancing Institutions

Micro finance is the process of extending financial services to people with low income and it becomes hard to get finance from banks and other money lenders. The living standards of the poor and the people with no

jobs can be improved by financial practice of microfinance. Micro finance involves the provision of a wide spectrum of services such as micro credit, pension, insurance, savings, payment servicestraining etc. Thus, it refers to the number of financial services provided to small entrepreneurs and enterprises that cannot take shelter for banking and other services (Kaur, 2017).Microfinance services help low-income individuals and startups in developing countries to start running a business, increase assets, dimmish risks, raise productivity, increase return on investment, increase incomes, improve access to education and eventually increase welfare

Services provided by microfinance institutions (MFIs) include credit, saving, financial training, and insurance. Microfinance institutions come to provide financial services to medium enterprises that find it difficult to access credit services from banks at a low-interest rate (Dang,2020). Microfinance has gained prominence in Kenya because the banking sector finds small and medium enterprises risky and commercially unviable sector.

Microfinance institutions offer credit services using either individual models or group-based models. Individual lending involves a single entrepreneur whose eligibility is determined by their character or collateral. Group-based model is when many small entrepreneurs come together to seek loan/financial services as one entity. Examples of group lending include solidarity or community based lending . Some microfinance institutions in Nakuru town include; Kenya women finance trust (KWFT) Nakuru east branch, Faulu Kenya Nakuru branch, Umoja entrepreneur credit ltd Nakuru, Ebony capital ltd Nakuru and Micro Kenya Nakuru Microfinance institutions are related to organizational performance in that they provide services such as loans, savings, insurance and training to SMEs. These services in return boost the overall organizational performance as seen in the firm's sales, market share and customer satisfaction (Kisaka, 2014). Micro-loans have a positive relations with organizational performance of SMEs (Morobe ,2015).

Microfinance institutions normally provide short term loans to borrowers. Both the duration of the loan as wellas the repayment period is usually short. In most of the cases, the MFIs would impose frequent loan repayments such asweekly payments. By introducing the weekly repayment, the MFIs are able to reduce the amount of the installment forthe loans. The smaller loan installment will help the borrowers to pay their loans since the repayment amount is low.However, MFIs that adopt this lending practice normally imposes higher interest rates, particularly among those thatintend to be financially independent and also those that do not want to rely on subsidies or donations (Kersten, Harms, Liket, & Maas, 2017]. Thus, Salient features of Microfinance include borrowers are from the low income group, loans are of small amount – micro loans, short duration loans , loans are offered without collaterals,☐ High frequency of repayment and loans are generally granted for income generation purpose

Organizational performance of SMEs

Organizational performance is defined as the degree to which an organization positions itself in the market and how well it is doing towards achieving its goal and objectives (Kotler, 2019). It could also be defined as the process of calculating the monetary value of the company's activities. Organizational performance of SMEs can be measured through non-financial measures of performance such as sales, market share and customer satisfaction. Sales refer to the amount of goods and services that an organization has sold over a given period of time (Wiens et al., 2018). It presents the business trend over a certain period that is a positive sales growth shows a growing business indicating better organizational performance while a negative sales growth shows a declining business indicating poor organizational performance. Market share refers to a portion of market controlled by a company. High market share means gaining an advantage over your competitors resulting to high profits and thus indicating high organizational performance. Customer satisfaction determines how happy customers are with a company's products and services (Sugiarto, 2021). High level of customer satisfaction leads to high level of customer repeat purchase and loyalty which in turn, leads to high profit indicate high organizational performance.

Statement of the problem

Small and medium enterprises are an integral part of the economy as they contribute to the country's revenue, jobs and economic growth. Most businesses in the country comprise of SMEs and have employed more than 4.6 million people creating an 18.4% GDP growth (GOK 2009). The microfinance provides savings, training and insurance. MFIs came in to serve SMEs because banks failed to provide these services as they found some businesses being too risky and unviable due to uncertainties and risks. Despite the opportunity provided by micro-financing institutions to small and medium enterprises, most SMES in Nakuru are unable to access credit due to various reasons. Some of the factors include; lack of business plan whereby you'll find an entrepreneur with a business but is not knowledgeable on how to put down a business plan that can help them secure capital to run their business. Another challenge is lack of collaterals. Some MFIs require a collateral in exchange of the finance given to an enterprise. Some such as start-up businesses may lack a collateral thus opt to find other means of obtaining capital. Lack of credit access is also another factor. Some SMEs are not aware of the existence of MFIs hence are not able to acquire their services. These factors hinder SMEs in Nakuru town with limited finance to start or grow their businesses. There are various studies, which have been conducted

concerning the effect of micro financing institutions on organizational performance of SMEs. The studies have shown a significant relationship between MFIs and SMEs. The studies indicate that most SMEs depend on MFIs for growth and survival. Newman & Schwarz (2017) found that microfinance services enhance organizational performance. Copper (2012) studied the impact of microfinance institutions on organizational performance of SMEs in Nairobi and found a positive effect. Amram &Mwasiaji(2019) concluded that the major source of finance credit for SMEs are MFIs. Few studies have been conducted in Nakuru town concerning the effect of microfinancing institutions on small and medium enterprises thus served as our main source of motivation for the study. The study was geared to establish the relationship between MFIs and SMEs in Nakuru town.

Research Objectives
To determine the effect of microfinance institutions on organizational performance of small and medium enterprises in Nakuru town.
The study was guided by the following specific objectives;
i.   To determine the effect of microfinance loans on organizational performance of SMEs in Nakuru City.
ii.   To establish the effect of training offered by MFIs on organizational performance of SMEs in Nakuru City.
iii.   To determine the effect of micro saving on the organizational performance of SMEs in Nakuru City.
iv.   To determine the effect of micro insurance on the organizational performance of SMEs in Nakuru City.
v.   To establish the combined effect of micro loans, micro training, micro saving and micro insurance on organizational performance of SMEs in Nakuru City.

Research Hypothesis
The study tested the following hypotheses:
HO1: Microfinance loans have no effect on organizational performance of SMEs inNakuru City .
HO2: Training has no effect on organizational performance of SMEs in Nakuru City.
HO3: Micro insurance has no effect on organizational performance of SMEs in Nakuru City
HO4: Microfinance saving has no effect on organizational performance of SMEs in Nakuru City
HO5: There is no combined effect of micro loans, micro saving, micro insurance and training on the organizational performance of SMEs in Nakuru City.

II.   LITERATURE REVIEW

It has been estimated that there are 500 million economically active poor people in the world operating microenterprises and small businesses (Women's World Banking 1995). Most of them do not have access to adequate financial services. To meet this substantial demand for financial services by low-income microentrepreneurs, microfinance practitioners and donors alike must adopt a long-term perspective. The purpose of this handbook is to bring together in a single source guiding principles and tools that will promote sustainable microfinance and create viable institutions

Microcredit, in its simplest form, involves granting individuals who have lack of money access to capital in the form of uncollateralized small (micro) loans designed to be repaid with interest. Microcredit and micro franchise share the prefix "micro," which for both constructs, is synonymous with a focus on select services for very low-income clients (Fairbourne, 2007b). At least since Muhammad Yunus and his Grameen Bank won the Nobel Peace Prize in 2006, micro-credit has become well-known in the Western world.

Microfinance Services
Microfinance has evolved as an economic development approach intended to benefit low-income women and men. Egbide(2020), defines microfinance institutions as financial institutions that are committed to providing sources of credit to the poor, the economically frail and small enterprises. Microfinance is a development tool that provides financial services such as loans, savings, training and insurance in order to alleviate the poor and give them access to credit (Taiwo et al., 2016). The term refers to the provision of financial services to low-income clients, including the self-employed. The financial services provided by MFIs generally include savings and credit; insurance and payment services. In addition to financial intermediation, many MFIs provide social intermediation services such as group formation, development of self-confidence, and training in financial literacy and management capabilities among members of a group. Thus, the definition of microfinance often includes both financial intermediation and social intermediation. Microfinance is not simply banking, but a development tool. Although some MFIs provide enterprise development services, such as skills training and marketing, and social services, such as literacy training and health care, these are not generally included in the definition of microfinance.

MFIs can be nongovernmental organizations (NGOs), savings and loan cooperatives, credit unions, government banks, commercial banks, or nonbank financial institutions. Microfinance clients are typically self-employed, low-income entrepreneurs in both urban and rural areas. Clients are often traders, street vendors, small farmers, service providers (hairdressers, rickshaw drivers), and artisans and small producers, such as blacksmiths and seamstresses. Usually, their activities provide a stable source of income (often from more than

one activity). Although they are poor, they are generally not considered to be the "poorest of the poor." Moneylenders, pawnbrokers, and rotating savings and credit associations are informal microfinance providers and important sources of financial intermediation but they are not discussed in detail in this handbook. Rather, the focus is on more formal MFIs.

Microfinance institutions lend money using various methods, which include; individual group lending and group lending. Individual group lending , a loan is given to an individual borrower according to their credit worthiness. Group lending methodology is a mechanism that allows individuals to form solidarity groups in order to get a loan guarantee. Gueye et al (2014) established that SMEs and individuals face challenges such as lack of collaterals, lack of information, limited access to finance, lack of databases, lack of education and lack of training thus they are unable to access finance from MFIs.

Microfinance institutions had a positive effect on the organizational performance of SMEs (Almansour et al. (2019), Olowe (2013, Irene et al. (2015)). The ability to both borrow and save with an MFI may increase micro entrepreneur's profitsthrough lower interest rates and access to appropriately designed loan products. This alsoimproves their ability to manage working capital needs through borrowing and savings at different times as required (Ledgerwood, 1998). Karagu&Okibo (2014) found that saving services have an effect on SMEs. Ashywel et al. (2021) , Marfo (2020) and posited that training services influence in terms of improved productivity, competitive advantage and motivation to employees thus increased organizational performance. Alando (2014) and Alando (2014) established that insurance services have a positive relationship on the organizational performance of SMEs .

Organizational performance

According to Elena & Maria (2016) organizational performance is the degree in which an organization positions itself in the market and how well it is doing towards achieving its goal and objectives. The indicators of an SME organizational performance are overall sales, customer satisfaction and market share. Despite the establishment of many MFIs in the country, most SMEs fail to succeed in the market due to failure of access to credit (Adam & Lestari, 2017). According to Fatoki (2014) SMEs have the ability to create new job opportunities, expanding the tax base and improving the economy but fail due to lack of financial assistance. Many studies that have been conducted have shown a positive correlation between microfinance institutions and organizational performance. A study by Moussa (2020) on effect of MFIs on organizational performance of SMEs found a strong positive correlation. Omondi (2018) in his studies found out that organizational performance of SMEs highly depends on microfinance institutions in order to be successful.

Microfinance and Organizational Performance

Microfinance institutions are related to organizational performance in that they provide services such as loans, savings, insurance and training to SMEs. These services in return boosts the overall organizational performance as seen in the firm's sales, market share and customer satisfaction (Kisaka, 2014). A study by Kisaka& Mwewa (2014) on the effect of micro savings, micro credit, training and micro insurance on growth of SMEs in Machakos, showed that these services contribute positively to SMEs growth. Firms that are able to obtain services from MFIs are able to improve on their sales due to availability of finance (Taiwo & Benson, 2016). A study by Morobe (2015) on effect of micro loans on organizational performance found that microfinance loan influence financial performance in SMEs. The study showed that the factors that inhibit SMEs from accessing loans are high interest rates and repayment period. A study by Karagu&Okibo (2014) on the effect of saving services on SMEs performance found out that savings services have contributed positively on SMEs performance. The investment decisions made by MFIs such as savings affect SMEs performance. Ashywel et al. (2021) studied the effect of training services on SMEs performance and found out that training enhances employee performance and employee commitment to an organization. A study by Marfo (2020) on impact of training and monitoring services on organizational performance found out that training leads to improved productivity, competitive advantage and motivation to employees thus increased organizational performance. A study by Alando (2014) on effect of insurance services on organizational performance of SMEs showed a positive relationship. Mutuku (2010) found that microfinance institutions had an effect on the organizational performance of in terms of employment creation and poverty alleviation.

According to Omondi &Jagongo (2018), financial services have an effect on organizational performance of SMEs. The researcher recommended that the regulatory and institutional framework should be merged and inclined in order to get rid of constrains affecting SMEs in accessing the loans. Micro credit and Insurance services provided by MFIs improve the organizational performance of MFIs in Ghana (Gyimah & Boachie.2018)

III.   THEORETICAL FOUNDATIONS

The study on the relationship between microfinance and organizational performance in small and medium hotels and restaurants was based on two theories. The first theoretical foundation Poverty Alleviation Theory and the second one was the financial intermediation theory. The Poverty alleviation theory states that

credit can be given to the poorest of the poor in the society on the basis of group liability instead of collateral (Kumari, 2020). Credit under certain circumstances can help the poor accumulate their own capital and thus improve their living standards through the income generated from investments (Lin, 2011). The pressing need for rural economy is to create job for the large unemployed labor force. Creating jobs can be done through creating employment or through promoting self-employment. Creation of employment requires investment in small working capital, unfortunately income from other sources is so low that they cannot generate investible surplus on their own. According to Kowo et al. (2019) SMEs are considered as the fundamental tool for economic growth, nevertheless, they face continuous financing challenges. SMEs are a major source for generating employment, creation of wealth and alleviating poverty from rural areas and developing countries. Poverty alleviation needs expansion of SMEs since they need less capital to create more jobs in the society (Karnani, 2017). This theory is relevant to the current study because it explains how MFIs provide loans to the less privileged to invest and use the income from their investments to improve their living standards and in turn eradicate poverty in the society.

The second theory that the study was based on was the financial intermediation theorystates that intermediaries serve to reduce transaction cost and informational asymmetries (Haas et al., 2014). Financial intermediation is seen as the extent to which financial institutions bring deficit spending units and surplus spending units together (Aduda&Kalunda, 2012). An important question that the theory tries to answer is why do investors first lend to financial institution who then lend to borrowers, instead of lending directly? Arguments point out to the fact that, financial institutions are able to effectively monitor borrowers and thus play the role of delegated monitoring (Aduda&Kalunda, 2012). Intermediaries provide services by issuing secondary financial assets to buy primary financial assets (Ajello, 2016). If an intermediary provided no services, investors who buy the secondary securities issued by the intermediary might as well purchase the primary securities directly and save the intermediary's costs (Brigham, 2018).
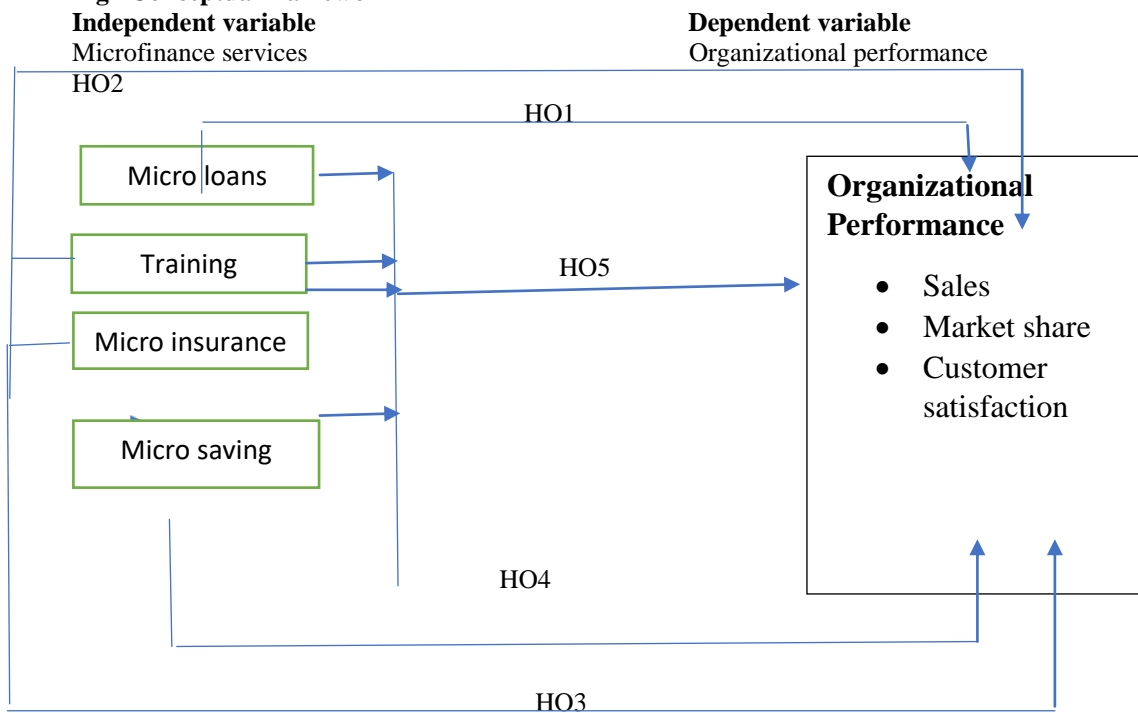
As stated by the modern theory of financial intermediation, financial intermediaries are active because market imperfections prevent savers and investors from trading directly with each other in an optimal way. The most important market imperfections are the informational asymmetries concerning the savers and investors. Financial intermediaries fill information gaps between ultimate savers and investors. This is because they have a comparative informational advantage over ultimate savers and investors. They watch over and scrutinize investors on behalf of savers. Financial intermediation can affect economic growth by acting on the saving rate, on the fraction of saving channeled to investment or on the social marginal productivity of investment. In general, financial development will be positive for economic growth. Transaction cost is the primary factor explaining the presence of financial intermediaries (Adrian et al., 2014).

This theory was relevant to the study because it gave a deeper understanding on the role of microfinance institutions on SMEs, which include savings, credit and training. Moreover, the theory depicts how SMEs can benefit from services offered by microfinance institutions through reduced information asymmetry in order to improve on their organizational performance.

IV.   CONCEPTUAL FRAMEWORK

The conceptual framework in Figure 1 above shows the relationship between services of MFIs (independent variables) and the organizational performance (dependent variable) of SMEs. Small and medium enterprises should be able to acquire services such as loans, savings, training and insurance from MFI so as to increase on their sales, market share and customer satisfaction. describes the relationship between each microfinance service to the overall organizational performance. The independent variable, which is microfinance services consist of loans, savings, training and insurance. Financial services include; loans, savings and insurance while non-financial services include training. The dependent variable, which is the organizational performance of SMEs is influenced by the services offered by the independent variable. Dependent variable (organizational performance) was measured by firm's sales, market share and customer satisfaction

Fig 1Conceptual framework
Independent variable   **Dependent variable**
Microfinance services   Organizational performance

HO2

HO1

Micro loans

Training   HO5

Organizational Performance

Micro insurance

- Sales
- Market share
- Customer satisfaction

Micro saving

HO4

HO3

V. MATERIALS AND METHODS

Research Design
       The study used a cross = sectional to examine the effect of MFIs on financial performance of SMEs in Nakuru town it enabled explaining the relationship among the variables.Using a cross-sectional survey design, primary data was collected from a sample of 239 students drawn from engineering diploma students in TVET institutions in Kenya. Simple random sampling was done in stages to select the respondents. The statistical formula suggested by Kothari (2004) was used to arrive at the number of participating institutions and the number of participating students. To arrive at the sub-sample from the selected institutions, the formula by Krejcie and Morgan (1970) was used. The specific respondents were selected by use of systematic sampling method. This was achieved by picking the Kth student from each of the engineering programs as they were leaving the lecture rooms. Data was collected through a questionnaire containing Likert type scale questions which were validated by two experts from the Faculty of Commerce, Egerton University. Using the Cronbach Alpha, the reliability of the instrument was established at 0.9 which was above the recommended threshold of 0.7 (Nunnally & Bernstein, 1994). The questionnaire was self-administered in the classroom. The study hypothesis was analyzed by use of Baron and Kenny (1986) four step approach of testing mediation. The first step was to show that there exists a relationship between the independent variable and dependent variable which may be mediated. Hence, the dependent variable, entrepreneurial intention was regressed on the independent variable, entrepreneurship education

Study Population
       The target population of the study was small and medium hotels and restaurants and microfinance institutions located within Nakuru City. The study targeted 300 small and medium hotels and restaurants registered in the county. There are 19 microfinance institutions operating in the city..

Sample size determination and Sampling procedure
To determine the sample size the study used the formulae below
$$N = Pc^2 \div c^2 + (P - 1)e^2$$
Where N=sample size, C= covariance, P= population, e= error term
N= $\dfrac{300 \times 0.07^2}{0.07^2 + 300 - 1)0.3^2}$ =25

Thus, the sample size included 25 SMEs Nakuru town.
The study used stratified simple random sampling technique where it grouped the sub population into strata. The basis for stratification was grouping SMEs with similar characteristics together, for example, those that are in the same industry, thus forming different strata

Data collection method and instrwents

An authorization letter was obtained from Egerton university business administration department to collect data. Data was obtained through administration of questionnaires by drop and pick method.

Validity and reliability

The study attempted to ensure that the findings were both valid and reliable. According to McMillan (1992) ,validity is the extent to which the test-items measure what they purport to do. The instrument's content validity was assessed using expert judgment by academic staff experts in the Department of Business Administration, in Egerton University. Reliability refers to the consistence of a score from one occasion to the next. The relevance of the content used in the questionnaire in relation to the objectives of the study was assessed using a cross-bridge matrix where by the items in the questionnaire were checked against the objectives of the study to ensure adequate content coverage (Bosire, 2000). Through the expert judgment, construct validity was assessed to establish the extent to which the instruments measured special respondent attributes like perceptions, attitudes and opinions towards the effect of service quality, customer satisfaction and customer value on customer loyalty. Cronbach's coefficient alpha was used to test reliability or to assess the quality of the measurement (Churchill, 1979). An acceptance level of 0.70 of Cronbach's alpha was tested for internal consistency for each of the constructs as recommended. The overall reliability test using Cronbach's test had an alpha coefficient of 0.911 and internal reliability test results were for service quality (0.918), perceived value (0.662) and customer satisfaction (0.751), all of which were high enough to ensure the internal consistency of the three-factor solution even though that of customer value was slightly lower than the recommended 0.7 threshold (Hair et al., 2006).

Instrumentation

Data was collected using a questionnaire. The instrument was used to collect data on demographic variables such as age, gender, education, marital status, occupation and income, and to measure the influence of the independent variables (micro credit, micro insurance, micro saving and training) on the dependent variable (organizationalperformance).A five–point Likertscale, ranging from (1= strongly disagree) to (5 = strongly agree) was used to collect data. The scale was useful in measuring the strength of the respondents' responses on these items.

Data Analysis

The study used both descriptive and inferential analyses. Descriptive analysis involved the computation of frequency distribution, mean, and standard deviation, which were useful to identify differences among groups. Inferential analysis assisted in understanding relationships between the study variables. In order to meet the research objectives of this study, all valid responses were assessed using a variety of statistical techniques:

Correlation analysis was used to assesses the strength of relationship between two variables.Regression analysis was used to determine the contribution of each of the independent variables to dependent variable. Regression analysis describes the way in which a dependent variable is affected by a change in the value of one or more independent variable. This technique was preferred because it tests the relative contribution of the independent variables on customer loyalty was achieved through multiple regression. Regression helps to predict the value of a dependent variable using one or more independent variables (Kometa (2007) and is used for the investigation of relationships between variables (Sykes (1993). This analysis was also useful in quantifying the influence of various simultaneous effects on a single dependent variable

In order to test the strength of the relationship between the dependent and independent variables, regression coefficients were used to evaluate the strength of the relationship between the independent variables and the dependent variable. Chu (2002) claims that the beta coefficients of the independent variables can be used to determine its derived importance to the dependent variable compared with other independent variables in the same model. In general, the relationship of the independent variable with the dependent variable will be positive if the beta coefficient is positive. In contrast, if the beta coefficient is negative, the relationship between the independent and dependent variables will become negative. Of course, the beta coefficient equaling zero implies that there is no relationship between both of the independent and dependent variables. R^2 was the multiple correlation, which represented the percent of variance in the dependent variable (organizational performance) explained collectively by all of the independent variables (Garson, 2008). Thus the R^2 value in the model provided a measure of the predictive ability of the model. The close the value to 1, the better the regression equation fit the data. The following study multiple linear regression model was tested

In regression analysis, the decision rule is: Reject null hypothesis if F calculated > F critical at $\alpha = 0.05$ (5% level of significance). However, if F calculated < F critical, we do not reject the null hypothesis. Another way of drawing conclusion on the significance of the regression is that if the p-value (probability) calculated by the regression is less than our significance level (0.05) then it means the probability of drawing another sample from the population that gives similar results and satisfies the null hypothesis is so low that we reject the null hypothesis. A p-value is a probability that provides a measure of the evidence against the null hypothesis provided by the sample. Smaller p-values indicate more evidence against the hypothesis (Anderson et al., 2009).

Hence if pvalue of the regression (population) < 0.05, we reject the null hypothesis but if p-value> 0.05, then do not reject the null hypothesis.

The study used the following regression models to determine the effect of microfinance institutions on organizational performance of SMEs in Nakuru City as depicted below.

Multiple regression model
$Y = \alpha + \beta 1 X1 + \beta 2 X2 + \beta 3 X3 + \beta 4 X4 + \in$

Simple regression models
Model on influence of micro loans on organizational performance
Y=α+β1X1+∈
Model on influence of micro savings on organizational performance
Y=α+β2X2+∈
Model on influence of training on organizational performance
Y=α+β3X3+∈
Model on influence of micro insurance on organizational performance
Y=α+β4X4+∈

Where;
Y- Organizational performance of SMEs as measured by sales, market share and customer satisfaction
α and β– regression constant sum
X1- microfinance loans
X2- microfinance savings
X3- microfinance training
X4- microfinance insurance
∈ - error term

VI.   RESULTS AND DISCUSSIONS
The study established the influence of micro finance services on the organizational performance of small and medium hotels and restaurants in Nakuru city. the micro finances services were hypothesized to influence organizational performance of the small and medium hotels and restaurants in the city. The following hypotheses were tested to establish the relationships among the independent variables and their influence on dependent variable

HO1: Microfinance loans have no effect on organizational performance of SMEs in Nakuru town
Table1 showsa P value of 0.458 against the threshold of 0.05. The F value was 0.573 against the critical value of 3.84. Since the P value was more than the threshold and the F value was less than the critical value, the microloans did not have significant effect on organizational performance of SMEs in Nakuru town; hence, we fail to reject the null hypothesis.

Table 1. ANOVA of Microfinance Loans

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.072	1	.072	.573	.458b
	Residual	2.404	19	.127		
	Total	2.477	20			

a. Dependent Variable: organizationalperformance
b. Predictors: (Constant), microloans

Table 2: Model Summary of Microfinance loans

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.171a	.029	-.022	.35573	.029	.573	1	19	.458	2.316

a. Predictors: (Constant), microloans
b. Dependent Variable: organizationalperformance

Table 3: Coefficients of Microfinance loans

Coefficientsa

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.	95.0% Confidence Interval for B Lower Bound	Upper Bound
1	(Constant)	2.202	.437		5.037	.000	1.287	3.117
	microloans	.112	.149	.171	.757	.458	-.199	.424

The results implied a weak positive correlation of 0.171 between microfinance loans and organizational performance. The results showed that the F value(0.573) was less than the critical value of 3.84. This showed that the relationship between microloans and organizational performance is not statistically significant at 95% confidence level. The P value was 0.458 (Table 2), which is more than the critical value of 0.05, confirming that the relationship between microloans and organizational performance is not statistically significant. The R square value (Table 3) implied that 2.9% of changes in organizational performance were influenced by changes in microloans, while 97.1% were influenced by other factors not included in the study. The simple regression model was:

Y=2.202 + 0.112X1 + 0.437

The regression equation showed that a unit change in X1 (microloans) caused 0.112 change in Y (organizational performance). 0.437 was a constant value which implied that holding microloans constant, organizational performance was 2.202 units.

HO2: Training has no effect on organizational performance of SMEs in Nakuru City
The results in table 4 showed a P value of 0.023 against the threshold of 0.05. The F value was 6.164 against the critical value of 3.84. Since the P value was less than the threshold and the F value was more than the critical value, training had significant effect on organizational performance of SMEs in Nakuru town; hence, we reject the null hypothesis

The correlation between training effects and organizational performance of SMEs was 0.495, the F value was 6.164, the P value was 0.023 (table 5) and the R squared value was 0.245. The constant value was 3.335, the beta value was -0.495 and the standard error term value was 0.332. (Table 6).

Table 4: ANOVA of Training effects

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.607	1	.607	6.164	.023b
	Residual	1.870	19	.098		
	Total	2.477	20			

a. Dependent Variable: organizationalperformance
b. Predictors: (Constant), training

Table 5: Model Summary of training effects

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.495a	.245	.205	.31374	.245	6.164	1	19	.023	2.055

a. Predictors: (Constant), training
b. Dependent Variable: organizationalperformance

Table 6: Coefficients of Training effects

Coefficientsa

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B Lower Bound	Upper Bound
1	(Constant)	3.335	.332		10.033	.000	2.640	4.031
	training	-.465	.187	-.495	-2.483	.023	-.856	-.073

a. Dependent Variable: organizationalperformance

The results implied a moderate positive correlation of 0.495 between training effects and organizational performance. The results showed that the F value of 6.164 was more than the critical value of 3.84. This showed that the relationship between training effects and organizational performance is statistically significant at 95% confidence level. . The P value was 0.023, which is less than the critical value of 0.05, confirming that the relationship between training and organizational performance is statistically significant. The R square value

implied that 24.5% of changes in organizational performance were influenced by changes in training, while 75.5% were influenced by other factors not included in the study. The simple regression model was:

Y=3.335+ -0.495X2 + 0.332

The regression equation showed that a unit change in X2 (training) caused -0.495 change in Y (organizational performance). 0.332 was a constant value which implied that holding training effects constant, organizational performance was 3.335 units

H03: Micro insurance has no effect on organizational performance of SMEs in Nakuru City

The results shown in table 7 show a P value was 0.697 against the threshold of 0.05. The F value was 0.156 against the critical value of 3.84. Since the P value was more than the threshold and the F value was less than the critical value, micro insurance had insignificant effect on organizational performance of SMEs in Nakuru town; hence, we fail to reject the null hypothesis.

The correlation between micro insurance and organizational performance of SMEs was 0.09, the F value was 0.156, the P value was 0.697 (table 8) and the R squared value was 0.090. The constant value was 2.409, the beta value was 0.076, and the standard error term value was 0.310 (table 9).

Table 7: ANOVA of Micro Insurance

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.020	1	.020	.156	.697b
	Residual	2.457	19	.129		
	Total	2.477	20			

a. Dependent Variable: organizationalperformance
b. Predictors: (Constant), insurance

Table 8: Model Summary of Micro Insurance

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.090a	.008	-.044	.35958	.008	.156	1	19	.697	2.482

a. Predictors: (Constant), insurance
b. Dependent Variable: organizationalperformance

Table 9 :Coefficient of Micro Insurance

Coefficientsa

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B Lower Bound	Upper Bound
1	(Constant)	2.409	.310		7.782	.000	1.761	3.058
	insurance	.076	.194	.090	.395	.697	-.329	.481

a. Dependent Variable: organizationalperformance

The results implied a weak positive correlation of 0.09 between micro insurance and organizational performance. The results showed that the F value of 0.156 was less than the critical value of 3.84. This showed that the relationship between training effects and organizational performance is not statistically significant at 95% confidence level. . The P value was 0.697, which is more than the critical value of 0.05, confirming that the relationship between micro insurance and organizational performance is not statistically significant. The R square value implied that 9.0% of changes in organizational performance were influenced by changes in micro insurance variable, while 91.0% were influenced by other factors not included in the study. The simple regression model was:

Y=2.409+ 0.076X3 + 0.310

The regression equation showed that a unit change in X3 (insurance) caused 0.076 change in Y (organizational performance). 0.310 was a constant value, which implied that holding micro insurance constant, organizational performance was 2.409 units.

HO4: Microfinance saving has no effect on organizational performance of SMEs in Nakuru City

The findings in table 10 Show a p value OF 0.749 against the threshold of 0.05. The F value was 0.105 against the critical value of 3.84. Since the P value was more than the threshold and the F value was less than the critical

value, microfinance saving had insignificant effect on organizational performance of SMEs in Nakuru town; hence, we fail to reject the null hypothesis.

The correlation between micro saving and organizational performance of SMEs was 0.074, the F value was 0.105, the P value was 0.749 (table 11) and the R squared value was 0.006. The constant value was 2.645, the beta value was -0.109 and the standard error term value was 0.369(Table 12) .

Table 10: ANOVA of Micro Saving

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.014	1	.014	.105	.749b
	Residual	2.463	19	.130		
	Total	2.477	20			

a. Dependent Variable: organizationalperformance

b. Predictors: (Constant), savings

Table 411 Model Summary of Micro saving

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.074a	.006	-.047	.36006	.006	.105	1	19	.749	2.390

a. Predictors: (Constant), savings

b. Dependent Variable: organizationalperformance

Table 12 Coefficient of Micro savings

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	2.645	.369		7.162	.000	1.872	3.418
	savings	-.109	.337	-.074	-.325	.749	-.814	.596

a. Dependent Variable: organizationalperformance

The results implied a weak positive correlation of 0.074 between micro savings and organizational performance. The results showed that the F value of 0.105 was less than the critical value of 3.84. This showed that the relationship between micro savings and organizational performance is not statistically significant at 95% confidence level.The P value was 0.749, which is more than the critical value of 0.05, confirming that the relationship between micro savings and organizational performance is statistically insignificant. The R square value implied that 0.6% of changes in organizational performance were influenced by changes in micro savings, while 99.4% were influenced by other factors not included in the study. The simple regression model was:

$Y= 2.645+ -0.109X4 + 0.369$

The regression equation showed that a unit change in X4 (savings) caused -0.109 change in Y (organizational performance). 0.369 was a constant value which implied that holding micro savings constant, organizational performance was 2.645 units

H05: There is no combined effect of micro loans, training, micro insurance and micro saving on the organizational performance of SMEs in Nakuru City

The results in tables 13, 14 & 15 showed that microloans, training, insurance and savings were positively correlated with organizational performance of SMEs in Nakuru town. The correlation between the four variables and organizational performance of SMEs was 0.504, the F value was 1.358, the P value was 0.292 and the R squared value was 0.254. The constant value was 3.322, and the standard error term value was 0.911. The P value was 0.292 against the threshold of 0.05. The F value was 1.358 against the critical value of 3.84. Since the P value was more than the threshold and the F value was less than the critical value, microfinance variables had insignificant effect on organizational performance of SMEs in Nakuru town; hence, we fail to reject the null hypothesis.

Table 13 ANOVA of Micro loans, micro training, micro insurance and micro Savings

ANOVAa

Model	Sum of Squares	df	Mean Square	F	Sig.

1	Regression	.628	4	.157	1.358	.292b
	Residual	1.849	16	.116		
	Total	2.477	20			

a. Dependent Variable: organizationalperformance

b. Predictors: (Constant), savings, training, microloans, insurance

Table 14Model Summary of Micro loans, micro training, micro insurance and micro Savings

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.504a	.254	.067	.33994	.254	1.358	4	16	.292	1.974

a. Predictors: (Constant), savings, training, microloans, insurance

b. Dependent Variable: organizationalperformance

Table 15 Coefficient of Micro loans, micro training, micro insurance and micro Savings

Coefficientsa

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B Lower Bound	Upper Bound
1	(Constant)	3.322	.911		3.649	.002	1.392	5.253
	microloans	.049	.147	.075	.335	.742	-.262	.360
	Training	-.459	.212	-.489	-2.166	.046	-.909	-.010
	insurance	-.044	.206	-.052	-.215	.832	-.482	.393
	savings	-.065	.353	-.044	-.184	.857	-.813	.684

a. Dependent Variable: organizationalperformance

The results implied a strong positive correlation of 0.504 between tax the four variables(microloans, training, insurance and savings) and financial sustainability. The results showed that the F value (1.358) was less than the critical value of 3.84. This showed that the relationship between taxation and financial sustainability is not statistically significant at a 95% confidence level. The P value was 0.292, more than the critical value of 0.05, confirming that the relationship between the four variables and financial sustainability is not statistically significant. The R square value implied that 25.4 % of changes in financial sustainability were influenced by changes in the four variables, while 74.6% were influenced by other factors not included in the study. The multiple regression model was:

$Y=3.322+ 0.049X1 + -0.459X2 + -0.044X3 + -0.065X4 + 0.911$

Holding microloans, training, insurance and savings constant, and the organizational performance of SMEs was 3.322 units.

A unit change in X1 (microloans) caused 0.049 units to change in Y (organizational performance)

A unit change in X2 (training) caused -0.459 units to change in Y (organizational performance)

A unit change in X3 (insurance) caused -0.044 units to change in Y (organizational performance)

A unit change in X4 (savings) caused -0.065 units to change in Y (organizational performance)

VII.   CONCLUSIONS AND RECOMMENDATIONS

The study results indicate that there is a positive relationship between Micro finance services and organizational performance of small and medium Hotels and Restaurants in Nakuru City. Correlation coefficients show that there is a positive relationship between all the services provided by Micro finance institutions and the organizational performance of the small and medium hotels and restaurants.Specifically, the coefficients were: micro loan r= 0.171, training r= -.485, micro saving r= 0.834, and micro insurance r= 0.776 respectively.

The study found that the Micro finance services as operationalized in the study (micro loans, training, micro savings and micro insurance) had positive correlations with the organizational performance(operationalized as (sales, customer satisfaction and market share)that ranged from 0.074 to 0.495.The F value of training, was above the critical value of 3.84 while for microloans, insurance and saving were less than 3.84. The P value for training was 0.023 while for the rest of the variables were more than the threshold. The R squared (R2) values ranged from 0.006 to 0.245. The beta values ranged between -0.109 and 0.112. The standard error term values ranged between 0.310 and 0.347, while the constant term values ranged between 2.202 to 3.335. The relative contributions to organizational performance were represented by the Beta values as shown herein: microloans (0.049), training (-0.459), insurance (-0 .044) and saving (-0.065). The

results revealed that microloans, insurance and savings did not have a statistically significant effect on organizational performance of SMEs in Nakuru City. In contrast, training had statistically significant effect on organizational   performance.
It was concluded that there was a positive correlation between microfinance institutions variables and organizational performance and that microfinance institution services were significant in predicting organizational performance in SMEs in Nakuru City .This meant that
holding other factors constant, any changes in microloans, training, insurance and saving could result in a corresponding positive change in organizational performance of SMEs in Nakuru City. It also observed that investment in training by Micro Finance Institutions could yield greater benefits to the performance of SMEs in Nakuru City.

It can be recommended that microfinance institutions should put more effort in providing microloans, insurance and micro saving to SMEs in order to improve their performance in terms of market share, sales and customer satisfaction.The government should also set up policies that will ease provision of microfinance services to SMEs to enable them improve their organizational performance. This should be done through setting up favorable laws governing the provision of the MFI services to SMEs.

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