

Microfinance Services And Financial Performance Of Small And Medium Women Owned Enterprises In Kiambu County, Kenya

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Abstract

Women usually experience an excessively larger number of challenges in comparison to men when applying for financing. Among these challenges are lack of collateral, inadequate financial infrastructure, gender biases, societal and cultural norms, fewer networking opportunities, limited capacity building and most of their enterprises being small in size. This study sought to explore how financial performance of women owned small and medium enterprises is affected by microfinance services in Kiambu County in Kenya. Explanatory research design was used and 222 enterprises were sampled using stratified random sampling from the target population of 525 women owned SMEs. Descriptive and inferential statistics were used to run the analyses. The study established that credit facilities have negative but non-significant effect on financial performance of women owned SMEs in Kiambu County. Savings, capacity building, and market facilitation were found to have positive significant effect on financial performance of women owned SMEs in Kiambu County. The study concluded that even though there was no statistically significant effect of credit services on financial performance, credit services when availed in required amounts and time may significantly improve the businesses owned by women, savings can make businesses to build pre-requisite capital for business expansion, acquire seed capital to start or run their businesses and come up with a balance between the business growth and consumption. On training, the targeted groups are able to get various skills such as financial and management skills for effective running and operation of their business, and market facilitation give opportunity to small business to be linked with the market and ensure their products reach the required clients and further brings the actors of the market together. Microfinance institutions are advised to reassess their products to ensure they are attractive and meet the needs of the clients and also conduct sufficient client appraisal to ensure they qualify credits that are able to make a good change in the running of their businesses, enterprises have to grow a saving culture with microfinance institutions or any other financial institution so as to build seed capital or generate cheaper capital that can be very important in expanding or boosting their businesses, microfinance institutions needs to do needs assessment to ensure the women entrepreneurs are able to receive directed training that may be very useful in promoting their saving culture, business operation and financial management skills and microfinance institutions to continue market facilitation and help link the enterprises with the market.

Keywords: *Microfinance services, Financial performance, Women-owned SMEs, Kiambu County, Kenya*

Date of Submission: 20-05-2026

Date of Acceptance: 30-05-2026

I. Introduction

Small and medium enterprises (SMEs) on the globe have a remarkable role to play in development of economies in both developing and developed economies with the net effect being on job creation and growth of Gross Domestic Product (GDPs) of the respective countries (Maragia & Gatauwa, 2024). Most of the developing nations have depended on SMEs to provide jobs for their populations and grow the countries' economy. In the developed economies, the economies continue to grow due to the SME sector that is considered to be the major employer (World Bank, 2023). SME sector has been found to be in control of almost 50% of the global job opportunities. In the developing countries, SMEs are argued to be contributing to nearly 40 percent of the GDPs in their countries. These numbers however significantly rise up when informal SMEs are included. Among the developed nations, Japan accounts for the largest proportion of the SMEs with more than 99 percent of the job sector being driven by SMEs (Adan & Yusuf, 2025; Runde, Sovoy & Staghum, 2021). More than half of jobs created in Africa are found in the SME sector with the sector deemed to contribute 90 percent of the total jobs

and directly contributing to more than 50 percent of the continent's GDP (World Bank, 2023; Adan & Yusuf, 2025). SME sector account for nearly 91 percent of the enterprises and workforce in South Africa and drive to an average of 55 percent of the nation's GDP. In Ghana, SMEs are the backbone of the nation's economy (Muli & Wachira, 2019; World Bank 2023). Maragia and Gatauwa (2024) argue that SMEs in Kenya have become very important avenues for wealth creation and opportunities for jobs and the long run effect is positive contribution to economic growth. They acknowledge the economic importance of the SME sector to a country and the need to ensure that the sector is well funded to remain sustainable. About 75 % of the job opportunities in Kenya have been created in the SME sector and hence the sector is the largest employer in the country (Runde, Savoy & Staguhn, 2021).

Entrepreneurship provides an opportunity for women to effectively put their industrious roles in practice without forgetting their reproductive roles. It provides them with flexible working hours that enable them tend to the needs of their respective families at the same time work on their businesses (Adero & Kariuki, 2020). Access to credit facilities for Women Owned Enterprises to conveniently run their business has been the crucial success pillar for these enterprises and determines their overall financial performance. International Finance Corporation (2014), identified that women usually experience an excessively larger number of challenges in comparison to men when sourcing for finances to run their businesses. Among the challenges experienced are inadequate financial information, cultural and societal norms, gender biases as well as the tendency of their businesses operating on small scale measure and no enough access to capacity building opportunities and networks.

Microfinance is described by Hermes and Hudon (2018) as the endeavour of improving availability to small loans and small deposits for lower income people (among them women) being overlooked by the banks. They concur that microfinance is a significant element of an economy, particularly an economy that most of its population come from the poor segment. The accompanying characteristics of Microfinance institutions (MFIs) are loans are usually most of the time under 12 months and are mainly working capital with fast predictable reimbursements typically weekly or monthly and are dispersed quickly after endorsement. MFIs encourage a saving culture by enabling the low-income earners and SMEs to put aside little amounts daily or weekly from which they can consequently borrow at their convenience thereby promoting their growth. MFIs ensure that companies not only receive financial assistance, but also financial advice (Bagheri, Mitchelmore, Bamiatzi & Nikolopoulos, 2019). Insufficient physical capital (access to credit and savings) and human capital (skills development and training) affect business performance (Ngoboka & Gatauwa, 2020). The capacity development offered by MFIs through seminars, conferences, meetings and trainings helps to educate the members on effective skill to manage and run their businesses in order to grow. Market facilitation catalyses market players to create long-lasting change for more competitive, inclusive and robust market systems (Engineers without Borders Canada, 2011). Absence of adequate market information portends a great challenge to small businesses as they lose out on marketing opportunities. Microfinance institutions can act as a link connecting the SMEs to the potential clients as they may form marketing associations and business clubs.

Financial performance refers to how well the business is capable of utilizing assets from its main business mode and gain revenues. It gives an overview of a businesses' economic health and its effectiveness (Momanyi & Gatauwa, 2024). They aver that a business can easily shut down its activities without sound financial performance. New products, improved products, enlarged market share and more sales can also reflect how well an organization performs. However, financial performance has proven to be a major obstacle for most organizations, with the most affected being SMEs.

Statement of the Problem

Advancement of SMEs has been very important to any economy due to their job creation, and eradicating poverty in societies (Maragia & Gatauwa, 2024). They assert that financial restriction is the major challenge facing Kenyan SMEs. Women usually experience an excessively larger number of challenges in comparison to men when applying for financing. Women have the added responsibility of ensuring their families are well cared for unlike their male counterparts (Adero & Kariuki, 2020). This leads them to spend much of their little resources including at times business capital to fulfil family obligations, leaving many of their businesses very small with low financial returns and growth. They are also not able to grow their savings and therefore can't improve their credit ratings.

Women need to be empowered to participate equally and actively in every organization like their male counterparts, to take part in the development process and to have influence on the production process in the society (Adero and Kariuki, 2020). Poor access to credit makes it hard for them to spear the growth of their entities and provide services or attend to increased number of customers. Women enterprises have been faced with scarce resources which has led to challenges in growth of the enterprises. Possession of adequate managerial skills leads to improved business performance and growth (Githae, Gatauwa & Mwambia, 2018). Lack of requisite skills and capacity means that women enterprises are not able to grow and develop their businesses. It is hence essential to identify and remove the many constraints and limitations affecting these women owned SMEs such as lack of

credit facilities, poor or no saving services and poor capacity development which make their operations unsustainable.

Several studies have been carried in attempt to understand how micro finance services affect financial performance. Omondi and Jagongo (2018) study revealed that services of microfinance positively affected the financial performance of youth owned SMEs in Kisumu County. Omondi and Jagongo (2018) however targeted the youth owned businesses. Amran and Mwasiaji in 2019 disclosed that financial accessibility and savings significantly and positively affected the performance of small-scale businesses while performance was negatively impacted by lending rates. This research was undertaken in Nairobi County and failed to touch on other skills trainings and market facilitation thus creating a research gap.

From the studies done, various research gaps ranging from conceptual, contextual and demographic exists. More so, all the stated researches did not give a view concerning the area of microfinancing and performance of SMEs that are women owned. The identified research gaps formed the basis for the current study.

Research Objectives

General Objective

To investigate how microfinance services affect Financial Performance of Women Owned SMEs in Kiambu County, Kenya.

Specific Objectives

- i. To determine how credit facilities affect financial performance of women owned SMEs in Kiambu County, Kenya.
- ii. To ascertain how savings services affect financial performance of women owned SMEs in Kiambu County, Kenya.
- iii. To determine how capacity building services affect financial performance of women owned SMEs in Kiambu County, Kenya.
- iv. To determine how market facilitation affect financial performance of women owned SMEs in Kiambu County, Kenya.

Research Hypotheses

H₀₁: Financial performance of women owned SMEs in Kiambu County, Kenya is not significantly impacted by Credit facilities

H₀₂: Savings services have no significant impact on financial performance of women owned SMEs in Kiambu County, Kenya

H₀₃: Capacity building services have no significant impact on financial performance of women owned SMEs in Kiambu County, Kenya

H₀₄: Market facilitation has no significant impact on financial performance of women owned SMEs in Kiambu County, Kenya.

Significance of the Study

The management of businesses owned by women is vital and should be given due consideration. The outcome will assist the administrators of these enterprises in making sound decisions regarding sourcing finances for their businesses hence improving the financial performance.

The policy makers at the ministry of finance will gain in-depth and fresh outlook of the impact their policies and guidance on micro finance institutions effect on financial performance of SMEs serviced by these MFIs. Obtaining a better understanding on the effect of micro finance services will guide them to develop better policies that positively affect the SMEs sector in the country.

The management team in the micro finance institutions can get more understanding on how changes in the micro finance services impact their operations and the financial performance. The information and data in this study will help them in making decisions in practice that will lead to their success as they achieve high financial performance. This study will also be useful in the field of finance management as it will address the identified research gaps and also add more knowledge to this field.

II. Literature Review

Theoretical Review

The Microfinance Theory of Change

It was progressed in 1976 by Professor Mohamed Yunus, who gave banking services to poor people who were snubbed by ordinary banks (Khan & Rahaman, 2007). It hypothesizes that the individuals seen as poor in the society have a great ability to create enduring enterprises as long as they are provided with start-up capital which they should repay before getting to additional finances. As indicated by this theory, financial inclusion

particularly among the women cannot be accomplished if the poor are isolated from financial access due to absence of collateral. Hermes and Hudon (2018) assert that a low-income person seeks microfinance services such as accessing various loans products available (or saves the same amount) in order to start or boost their micro-enterprise which in turn is expected to be able to produce sufficient revenue so as to pay back the borrowed capital with any accrued interest and at the same time to be able to run the business, increase individuals' income and expand the business if possible. This school of thought shows how low- income earners (women owned SMEs) will take micro loans from MFIs, put them into their investment so as to ensure their business grows and earn high return on the investment resulting in improved cycle of alleviation of poverty and improved financial performance.

Financial Growth Theory

It was originally proposed by Berger and Udell in 1998. They began by asserting that small businesses have a financial development life cycle of changing financial demands and opportunities, and that the needs for financial resources are a function of business size and stage of development. In their initial stages, they mobilize funds from their pockets and other relationships such as friends and relatives. As the company gets larger and less opaque, it can obtain funding from other sources such as loans and equity. The company is also likely to succeed if it is sufficiently funded (Maragia & Gatauwa, 2024). Different studies carried out agree with the hypothesis that insufficient funding has been proven to be the primary cause of the failure of most SMEs. The theory therefore implies that a business needs sufficient support when it initiates or expands so that it can become more stable. This funding can be received from the microfinance institutions. The availability of funding would help women enterprises in expanding and improving their financial status. The theory gives a picture of how the MFIs positively impact the growth and performance of women owned SMEs by providing support for their rising financial requirements.

Pecking Order Theory

Developed in an attempt to better explain how SME's make decisions on capital structure (Myers & Majluf, 1984). The theory came about because of the initial failure of modern finance theory towards good guidance on making decisions in SMEs, generally in small businesses enterprises. As Holmes and Kent (1991) described the theory, it suggests that businesses would rather rely on internal funds first and only resort to external funds if there is lack of internal finance available. Debt is highly preferred by a business seeking external financing than equity in most circumstances. Pecking Order Theory can be applied both in the large scale venture and the small to medium scale ventures. SMEs may not have ability to issue additional equity to the society and proprietors may be against anything that may seem to weaken their business control and ownership. In relation to the management of capital and activities by the proprietors, under such circumstances, internal equity financing would be favoured as it does not involve relinquishing control. At the point where external funding is needed, the recovery of debt as opposed to equity is preferred. The theory explains how MFIs can allow women owned SMEs to perform financially by providing external funding through micro loans.

Trade Off Theory

Proposed by Modigliani and Miller (1958) with a view that each enterprise has a main objective of ensuring that its optimal levels of liquidity are attained. By a company attaining optimal levels that it desires, it implies that it has reached an optimal level weighing between the cash holding costs and the advantages that may follow it latter. According to trade off theory, the financial policy of any enterprise is normally very complicated due to presence of external funding such as debts that mostly require a liability clause accompanied with the enterprises' needs. For any entity to realize an increased financial performance and improve its profitability index, there is a need for it to balance between its borrowing costs and the overall outcomes at the final stage. The discipline that has been instilled in the firm may dictate whether the firm may be able to explore saving option as a way of financing their enterprises. Although the credit facilities may cause the business debts to sour, it may altogether lead to improved liquidity in the business enterprise. The theory emphasises that apart from debts, using savings to expand businesses may also increase the liquidity in the firm thereby improving financial performance. The theory provides an avenue for finance managers to come up with proper decisions when choosing which financing service to source from micro finance institutions. This is the reason the researcher adopts it.

Diffusion of Innovation Theory

Diffusion of innovation (DOI) was first popularised by Rogers in 1962 as an element, act or idea that can be viewed as new (Rogers, 1995). That for a new idea to come into existence, one has to plan or unconstraint new different ideas. According to diffusion innovation theory of technological innovation, the innovation occurrence is taken to promulgate uncertainty in the minds of those who may be willing to adopt it (Berlyne,

1962). This may lead to dubiousness which may cause inadequate predictions with less or no information. Diffusion in this perspective is taken as a process of exchange of information among various members in various social networks with the aim of ensuring that uncertainty is reduced and the probability of attaining the much-needed outcomes increased (Rogers, 1995). This uncertainty is taken as the extent to which various alternatives have to be perceived in relation to the occurring of particular events, together with the relative probability of them having to occur at a particular point. Based on this theory, technological innovation embodies information and therefore putting it into practice reduces uncertainty over the unseen future costs. SME owners may be able to explore new markets, increase market research and improve their skills by adopting various approaches like innovations that coordinate knowledge and information. Balas and Chapman (2018) note that entity's performance highly depends on innovation and ensuring that obsolete practices are phased out. In order to obtain reduced costs in running SME operations, it is important to recognize a worthwhile innovation together with its adoption and dissemination. It is through replacing outdated knowledge and embracing innovativeness through capacity building approaches such as new knowledge acquisition, skills and new trainings. The expected advantages in financial performance may dictate the choice of adopting to a new idea or innovation. This may also depend on nature and complexity, current processes and systems in SMEs, the kind of trainings and expected skills to be acquired. The theory emphasises on SMEs being innovative for them to settle on the best microfinance services such as capacity building and market facilitation that may be considered to be superior in ensuring that there is improved financial growth in the firms. SMEs considering capacity building as an SME service that may improve their financial growth may consider ensuring their members and staff are well trained on different modern enterprise skills and have the right and preferred knowledge. SMEs may also borrow from this theory in seeking market facilitation from MFIs as the institutions have to source for market intelligence, networking and approaches for value addition to ensure the firms are well equipped with the novel trends in the market. This theory is important in addressing how capacity building and market facilitations by MFIs may be key in improving financial performance.

Empirical Literature Review

Credit Facilities and Financial Performance

Kayode (2025) examined how growth dynamics in SMEs were impacted by various factors like lending costs and bank credit. Easy access of low-cost credit facilities in lending institutions played a crucial role in boosting performance of businesses. Kayode (2025) however focused on credit facilities from the banking sector and no emphasis was placed on the credit facilities availed by the MFIs. MFIs and commercial banks carry out their operations differently and hence this study created research gaps that the current research addressed by focusing on the credit facilities provided by MFIs.

The study by Sibukoko and Mpundu (2025) on SMEs in Lusaka Zambia. Access to microfinance credit was found critical in fostering growth and resilience of SMEs. However, the high interest rates were found to be a constraining factor to SME performance. This study did not narrow down on any SMEs based on ownership. The current study was more specific as it focused specifically on women owned SMEs.

Uzoechi (2025) in the study titled 'Entrepreneurial finance, raising capital and managing cash flows', sought to examine the association between MFIs credit and the SMEs sales volumes. Microfinance bank loans were revealed to have a significant positive effect on sales volumes by various SMEs. The current study however measured performance of SMEs based on the sales volumes and may not have exhaustively taken into considerations all the dimensions of performance. This gap was bridged by focusing on financial performance based on return on investment.

Saving Services and Financial Performance

Chibueze, Orivri, & Egunjobi (2025) sought to examine how digital banking saving services influenced performance of MSMEs in Nigeria. It was noted that although various gaps existed into the digital banking system such as cyber security, its impact financial savings and financial performance of MSMEs was easily felt. The study recommended improved digital infrastructure and even digital literacy among the entrepreneurs. The study was however skewed towards digital banking sector and its findings cannot be generalized to areas such as microfinance sector. The current study narrowed on the identified gap as it focused on the microfinance sector.

Kimutai and Gakobo (2022) carried out a study on the influence of savings mobilization on the performance of women owned micro and small agribusinesses in Bomet County, Kenya. The study concluded that women owned enterprises in agribusiness sector had diverse revenues sources which were key in enhancing savings. This study targeted enterprises in agribusiness sector, hence its findings cannot be generalized to reflect the outcomes from all the other sectors or different counties.

The study done by Adero and Kariuki (2020) examined how microfinance institutions saving services affected financial empowerment of women. The study found out that through women group savings, they were able to be advanced with credit by their respective MFIs based on their savings. The higher degree of

confidentiality between the MFIs and women groups lead to increased savings among the women. The study however fails to explain how MFI saving services affect financial performance. More so, the study focused on women groups rather than women owned SMEs which was the case of the current study.

Capacity Building Services and Financial Performance

Sajuyigbe, Eniola, Ayeni and Oladejo (2021) study on capacity building and performance of Women owned enterprises revealed that capacity building through various arrays such as culture orientation and skills development were strong in predicting performance of women owned enterprises. Sajuyigbe et al. (2021) focused on women owned SMEs in Nigeria, which may be operating in different business environment as compared to women owned SMEs in Kenya.

The study conducted by Yadav et al. (2025) notes capacity building as one of the main contributors to inclusive digital adoption that directly affects sustainable growth of SMEs. Although the study acknowledged capacity building as one of the factors that may hinder scalability of SMEs, it fails to link capacity building to financial performance of SMEs, a gap that was addressed by the current study.

Wassem et al. (2019) examined the effects of managerial support and capacity building on employee performance in their study. Questionnaires that were self-administered were used to collect data. Employee performance was found to be significantly impacted by capacity building. Capacity building is very useful in enhancing both the performance and productivity of an entity. Capacity building entails the growth of the workforce's awareness, mind-set, and abilities to improve the potentiality of accomplishing both organizational and personal short-term and long-term objectives. Generally, capacity building covers the employees' inabilities and builds the desired skills and attitudes that enable them to perform appropriate tasks effectively. Capacity building positively equips employees with the necessary skills which in the end help in improving the overall performance.

Market Facilitation and Financial Performance

The study conducted by Latif, Soomro, Ahmad and Syed (2026) examined the role of artificial intelligence (AI) in entrepreneurship. Data was collected from 350 entrepreneurs who were using AI in running and managing their businesses. It was established that AI was very critical in market facilitation as it was useful in market research and increased networking. This study however did not link the use of AI in market facilitation with performance of SMEs.

Aneta (2026) conducted a study to examine how technological asymmetries influenced performance in AI driven sector and efficiency in capital management. The study sought to explore how market facilitation through adoption of AI due to technological advancement in innovative SMEs and corporations influenced financial resilience. The study established that adopting AI in market research and networking in companies resulted to companies being more resistance to market disruptions. This study however focused on companies and corporations and innovative SMEs. The current study focused on SMEs which operate very differently from the corporations and companies.

Santhi and Setyari (2019) investigated on how trade facilitation affects export performance. They aimed at investigating how export performance affects the six ASEAN countries. Trade facilitation reforms were found to be helpful in improving the export performance of the six ASEAN countries. Market facilitation was found to have helped in providing easy access to market information. Market facilitation also helps in bringing the actors of the market together and creating a space where market facilitators can effectively create forums and interact and discuss how their market system should function. The study was however done in ASEAN countries creating contextual gaps addressed by the current research.

III. Research Methodology

Research Design

It refers to a structure or a strategy of investigation that a researcher refers to when making inferences to particular research questions (Gatauwa, 2014; Ngoboka & Gatauwa, 2020). The study used explanatory research design. Explanatory research design is the best design to use to establish the relationship existing between the independent variables and the dependent variable (Borg, Meridith & Gall, 2018).

Target Population

An extensive population of interest that the researcher intends to conduct research on from which the sample respondents are drawn. The study targeted 525 entrepreneurs, management staff and directors working in Women Owned SMEs in Kiambu County. Study participants were chosen by use of stratified random sampling. Krejcie and Morgan (1970) formula was used in calculating sample size of 222 which was proportionally distributed among various cluster of businesses.

Data Collection Instruments

Self-administered questionnaires were availed to the respondents and collected once they had completed them in order to gather primary data for the study. Questionnaires were used since they are cost effective due to the ease and convenience in distribution, collection and analysis. It also gave the respondents adequate time to reflect on the subject. Questionnaires are cost effective and are generally unbiased. They can also be responded to at the respondent’s time of convenience.

Data Analysis and Presentation

Post data collection process involved checking to ensure there was consistency and completeness in the data used so as to reduce or completely prevent any mistakes or omissions in the data to be used. Analyses were done both descriptively and inferentially using the Statistical Package for Social Sciences (SPSS). Descriptive statistics was employed to analyse descriptive data. Charts and frequency distribution tables were further used in presenting data.

Multiple linear regression analysis facilitated predicting the association that existed between MFI services and financial performance. F statistic was be used to assess the model validity and fitness in estimating how the dependent variable relates with independent variables.

IV. Data Analysis And Interpretation

Response Rate

Questionnaires were distributed to a sample population of 222 enterprises that were purely owned by women in Kiambu County in Kenya. The managers and owners of the SMEs were the respondents while the enterprises were the unit of analysis. From the total of 222 questionnaires that were distributed, it was possible to get back 166 (74.8%) duly filled questionnaires. According to the guidelines from Mugenda and Mugenda (2019), 74.8 % return rate is considered adequate for an in-depth analysis to be conducted.

Descriptive Analysis

The primary data traits of the data used was defined by the help of descriptive statistics. Analyses were conducted on each study variable by use of various descriptive statistical analysis tools. The study was aligned with its purpose of investigating how microfinance services affect Financial Performance of SMEs owned by women in Kiambu County in Kenya.

Credit Facilities and Financial Performance of Women Owned SMEs

The study first sought to determine whether the respondents had in the previous five years sought any credit facility from a microfinance organization to boost their businesses. The study further requested for ratings on a Likert scale of 1 to 5 on levels of agreement or not agreeing with various statements concerning credit facilities from MFIs. The results are summarized in Table 4.1

Table 4.1: Credit Facilities and Performance of Women Owned SMEs

Statement	N	Mean	Std. Dev.
Loans from MFIs are easy to access	166	2.38	1.053
The collateral required is affordable	166	2.43	.962
Duration of loan repayment is favourable	166	1.96	.866
Loans applications are quickly processed	166	3.82	.788
Interest charged is favourable	166	2.48	1.079
Credit facilities have increased our productivity leading to growth of our business	166	4.22	.636
Valid N (listwise)	166		

Table 4.1 give an indication that majority disagreed with the statement that it was easy to access loans from microfinance institutions as indicated by the mean and standard deviation (M= 2.38; SD = 1.053). They further disagreed with the statements that the collaterals needed were affordable (M= 2.43; SD= 0.962); and that the loan durations provided by the MFIs was favourable for loan repayments (M=1.96; SD= 0.866). The respondents however agreed that the loan applications were quickly processed (M= 3.82; SD= 0.788). They further disagreed that the interests charged were favourable (M= 2.48; SD= 1.079). Nevertheless, majority of them agreed that credit facilities had increased their productivity and lead to growth of their businesses (M= 4.22; SD= 0.636). The above findings are also in line with the findings from Adero and Kariuki (2020). According to Adero and Kariuki, although microfinance institutions provide credit to help boost businesses, these products may come with many hidden terms which are mainly not disclosed to the potential clients which in turn hinder the clients from accessing these products and in many cases the clients may altogether avoid these products because of terms attached to them.

Saving Services and Financial Performance of Women Owned SMEs

The study purposed to ascertain how savings services affect financial performance of women owned SMEs in Kiambu County, Kenya. To achieve this objective, the study first requested the respondents to indicate whether a business had a saving plan with a microfinance institution (MFI). Those who indicated yes were requested to rate on a scale of 1 to 5 on how they agreed or disagreed with various statements on saving services provided by the microfinance institutions. The findings are in Table 4.2

Table 4.2: Microfinance Saving Services

Statement	N	Mean	Std. Dev.
Through microfinance, I have learnt the importance of having a saving culture	66	4.33	.475
I make regular deposits in my saving accounts	66	4.35	.480
The business has been able to come up with a balance between business growth and consumption through saving services	66	4.21	.412
By saving, it has been possible to set aside some finances meant for business growth in future	66	4.47	.503
Savings services have enabled us build pre-requisite capital for business expansion	66	4.59	.495
Saving services have improved our credit rating thus raising our loan accessibility probabilities with micro finance institutions	66	4.44	.500
Valid N (listwise)	66		

Table 4.2 findings show that majority of respondents were in agreement that MFIs had made them learn the importance of having a saving culture with mean and standard deviation (M= 4.33; SD= 4.75). Regular deposits were made in their savings accounts (M= 4.35; SD=4.80) and through saving services, the businesses had come up with a balance between business growth and consumption (M=4.21; SD= 4.12). They further agreed that savings had enabled them set aside some finances that may help boost the business in the future (M= 4.47; SD= 0.503). Respondents strongly agreed that through saving with MFIs, they had been able to build pre-requisite capital for business expansion (M= 4.59; SD= 0.495). The finding further revealed that saving services had improved the respondents credit rating making them be able to access credit at MFIs (M= 4.44; SD= 0.50). Variations in responses given in these cases were very small as depicted by the very small standard deviations. The findings from this study also agree with Amran and Mwassiagi (2019) who note that saving in MFIs enable the small-scale investors build sufficient capitals to boost their businesses and also enable them to access increased credit that may be very important in expanding their businesses.

Capacity Building Services and Financial Performance of Women Owned SMEs

It was a requirement for the respondents to indicate whether any financial institution or MFI had offered them any training in regards to efficient running of their business. The study further requested them to rate on a scale of 1-5 how they were in agreement or disagreement with various statements regarding capacity building services provided by the MFIs. The results are presented in Table 4.3

Table 4.1: Capacity Building and Financial Performance of Women Owned SMEs

Statement	N	Mean	Std. Dev.
We have received adequate training on capacity building from MFIs	166	3.86	1.135
It has been easy to access capacity building programs offered by MFIs	166	3.77	1.163
Training services have improved the skills set possessed by our staff	166	3.86	1.073
Training services have resulted in higher knowledge among our staff for better customer service	166	3.73	.740
Training services have helped change the attitude of our staff for the better	166	3.86	.959
Training services have enhanced the performance of our firm	166	4.05	1.130
Valid N (listwise)	166		

The finding from Table 4.3 show that majority agreed that they had received adequate training on capacity building from MFIs evidenced by mean and standard deviation (M= 3.86; SD= 1.135). They also agreed that it was easy to access capacity building programs offered by MFIs (M= 3.77; SD= 1.163), training services had improved the skills set possessed by their staff (M= 3.86; SD= 1.073), and that training services had resulted in higher knowledge among their staff for better customer service (M=3.73; SD= 0.740). They were in agreement that training services had helped change the attitude of their workers (M=3.86; SD= 0.959) and that as a result of training, financial performance in their enterprises had improved (M= 4.05; SD= 1.130).

Market Facilitation and Financial Performance of Women Owned SMEs

The respondents were asked if at any time they had benefitted from any form of market facilitation from MFIs in marketing their products. The study further requested those who had received market facilitation to rate on a scale of 1 to 5 how they agreed with various statements concerning market facilitation provided by MFIs. The results are presented in Table 4.4.

Table 4.4: Market Facilitation and Performance

Statement	N	Mean	Std. Deviation
Business associations facilitated by MFIs have enhanced the market of our products	127	4.09	.535
Market facilitation has enabled our firm access new markets	127	3.96	.728
Market facilitation has enabled our firm attend to customer needs better	127	4.13	.525
Market facilitation has enabled our firm stay ahead of the competition in its product offering	127	3.42	1.211
The network connections facilitated by MFIs have enabled our business to source for raw materials cheaply	127	2.78	.948
Market facilitation has enabled our firm identify ways of extending the existing market	127	4.17	.373
Valid N (listwise)	127		

Table 4.4 outcome shows that majority who had received market facilitation from MFIs at one or more times agreed that business associations with MFIs had improved their products marketing with mean and standard deviation (M=4.09; SD= 0.535). A very small standard deviation indicates very small disparities in responses. Market facilitation had enabled respondents’ firms to access new markets (M= 3.96; SD= 0.728). Market facilitation had enabled the businesses to attend to the needs of customers on time (M= 4.13; SD= 0.525). There was however no agreement on whether market facilitation had enabled their firms to stay ahead of completion in the products they offered (M=3.42; SD= 1.211). The higher standard deviation however indicates presence of numerous disparities on the responses given. They further disagreed with the statement that market facilitation had enabled them source for raw materials cheaply (M= 2.78; SD= 0.948). However, the respondents agreed that market facilitation had enabled their businesses to identify ways of extending the existing market (M=4.17; SD= 0.373).

Financial Performance

Business financial performance was based on Return on Investment (ROI). Figure 4.4 show the ROI trend analysis for the women owned SMEs in Kiambu County for the period 2020 to 2024.

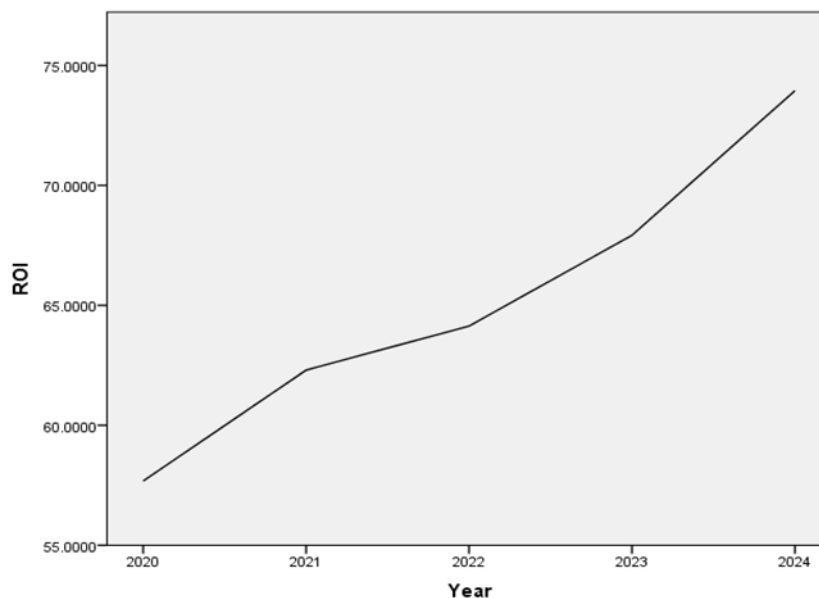


Figure 4.1: Return on Investments

The finding from figure 4.1 shows that average ROI for women owned SMEs has been increasing since 2020, with the lowest ROI been recorded in 2020 while the highest ROI been recorded in 2024. In 2020, the firms experienced lowest ROI which slightly increased in 2021 and 2022. In 2023, the ROI sharply increased and then steadily increased in 2024. Similar trends have also been reported by Sawe and Makori (2022) although they studied a different segment of business entities.

Diagnostic Tests

Diagnostic testing was done so as to ensure that CLRM assumptions remained unviolated before running regression analysis (Gujarati, 2003). The study conducted various diagnostic tests including Multicollinearity test, normality test, heteroscedasticity test, and analysis of variance.

Multicollinearity Test

The study examined the presence of multicollinearity by applying Variance Inflation Factor (VIF) and tolerance indicators. The aim was to conclude that there is no indication of multicollinearity suppose the variables yield a VIF value of less than 5 and tolerance values that are more than 0.2. Otherwise, the variables were to be removed from the study. Table 4.5 shows the VIF and Tolerance results.

Table 4.5: Tolerance and VIF Values

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.071	.334		-.214	.831		
	Credit Facilities	-.004	.039	-.006	-.098	.922	.835	1.197
	Savings	.227	.061	.200	3.723	.000	.962	1.039
	Capacity Building	.510	.058	.527	8.714	.000	.760	1.316
	Market Facilitation	.278	.056	.285	4.916	.000	.826	1.210
a. Dependent Variable: Performance								

Table 4.5 show that all the variables were able to attain VIF values that were not more than 5 and at the same time achieved tolerance values that were more than 0.2. This gave an implication that the variables were not highly correlated which further implies no multicollinearity existed between the variables. As a result, no variable was dropped from the study as a result of multicollinearity.

Normality Test

It was important to test normality of the data prior to running the regressions so as to establish if the data depicted normal distribution. The study employed the Shapiro-Wilk test to assess the normality of the data distribution. Shapiro-Wilk p value of more than 0.05 generally give an indication that the data is normally distributed, or there is no statistical deviation of data from the normal distribution. Table 4.6 shows the results of Shapiro-Wilk test.

Table 4.6 Shapiro-Wilk Test

	Shapiro-Wilk		
	Statistic	df	Sig.
Credit Facilities	.792	166	.079
Savings	.666	166	.122
Capacity Building	.650	166	.240
Market Facilitation	.630	166	.386
Performance	.518	166	.287

Table 4.6 reveal that the calculated probability values for all the five variables had a range from 0.079 for credit facilities to 0.386 for market facilitation. The results further reveal that all the probability values were greater than 0.05, an implication that at 95% confidence level, the study deduced that the data was normally distributed.

Heteroscedasticity Test

Biased parameters are normally arrived at when a data is run before or without conducting a heteroscedasticity test (Gujarati, 2003). The study relied on Breusch- Pagan test to test the heteroscedasticity. The study framed a null hypothesis to suggest that error variance was constant implying that the used data had homoscedasticity. The study therefore performed a hypothesis testing at $\alpha=0.05$. The goal was to reject the null hypothesis suppose the p value is equal to or greater than α . The results are summarized in Table 4.7.

Table 4.7: Breusch- Pagan Test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.475	4	.029	.836	.532 ^b
	Residual	.401	161	.031		
	Total	.876	165			

a. Dependent Variable: Square of residuals

b. Predictors: (Constant), Market Facilitation, Capacity Building, Savings, Credit Facilities

Table 4.7 indicate that the square of the residuals was able to yield p value that was more than 0.05. This means that at 95% confidence level, the study rejected the null hypothesis. By rejecting the null hypothesis, it implied that there was no presence of heteroscedasticity.

Analysis of Variance

Analysis of Variance (ANOVA) helps in checking the effect of one or more factors and this is arrived at through comparing means arising from various samples. The study used F statistic, a ratio between and within the group variances. The ANOVA results are presented in Table 4.8

Table 4.8: ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.061	4	8.015	49.796	.000 ^b
	Residual	25.915	161	.161		
	Total	57.976	165			

a. Dependent Variable: Performance

b. Predictors: (Constant), Market Facilitation, Savings, Credit Facilities, Capacity Building

The p value from the ANOVA results in Table 4.8 was less than 0.05, an implication that the model used was fit in predicting how microfinance services associate with financial performance.

Regression Analysis

Having carried out various diagnostic tests to ensure there were no violations of CLRM assumptions and also to ensure that there was no inconsistencies, biased parameters or biasness in the data used, multiple regression analysis was performed. This analysis was very key in determining how the microfinance services affect financial performance of SMEs. The coefficient of determination and coefficient of adjusted determination are presented in Table 4.9

Table 4.9: Coefficient of determination and coefficient of adjusted determination
Model Summary

Model	R	R square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.744 ^a	.553	.542	.401	.553	49.796	4	161	.000

a. Predictors: (Constant), Market Facilitation, Savings, Credit Facilities, Capacity Building

Table 4.9 findings indicate that the coefficient for correlation was 0.744, indicating positive correlation between the variables used in this study. A statistically significant relationship therefore exists between microfinance services and financial performance due to the p value being less than 0.05.

The coefficient of determination, R² was found to be 0.553. This indicates that 55.3% of change in financial performance can be defined by the variables presented in the regression model. This deduces that other factors which are not part of this study contribute to 44.7% of change in financial performance. The findings also align with Hermes and Hudon (2018), and Bagheri et al. (2019), who both note that various microfinance services such as credit facilities, capacity building and saving culture positively affect financial performance.

The study further utilized the coefficient of regression so as to predict the degree to which microfinance services affected financial performance of women owned SMEs in Kiambu County, Kenya. The regression coefficients are shown in Table 4.10

Table 4.10: Regression Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.071	.334		-.213	.831
	Credit Facilities	-.004	.039	-.006	-.0103	.922
	Savings	.227	.061	.200	3.721	.000
	Capacity Building	.510	.058	.527	8.793	.000
	Market Facilitation	.278	.056	.285	4.964	.000

a. Dependent Variable: Performance

The coefficient of regressions in Table 4.18 directs the study to the equation;

$$Y = -0.071 + -0.004X_1 + 0.227X_2 + 0.510X_3 + 0.278X_4 + \epsilon$$

Where Y= Financial Performance; B0 = Constant; β1, β2, β3 and β4 are Coefficients; ε = error term; X1= Credit Facilities; X2= Saving Services; X3= Capacity Building; X4= Market Facilitation

The equation gives an explanation that by rating all the predictor factors in this study at zero, the performance of women owned SMEs in Kiambu County would be at -0.071.

The findings from Table 4.10 show that credit facilities have negative but non-significant effect on financial performance of women owned SMEs (β=-0.004; p=0.922). Despite credit facilities having non-significant effect on financial performance, the results imply that by strengthening credit facilities by one unit, it would decrease financial performance of women owned SMEs in Kiambu County by 0.004 units. The study concludes that financial performance of women owned SMEs in Kiambu County, Kenya is not significantly impacted by Credit facilities. Although the study finds non-significant relationship between credit facilities and financial performance, the study mainly concentrated on availing of credit by the MFIs, business collaterals and ability to access the credit by the clients. However, the MFIs can strengthen the credit management policies and conduct sufficient client appraisal to ensure the clients are served as they may prefer. The finding however does not align with the findings from the studies conducted by Kayode (2025), Sibukoko and Mpundu (2025) and, Uzoechi (2025) who established that credit management may positively contribute to financial performance.

Savings have positive significant impact on financial performance of women owned SMEs in Kiambu County, evidenced by the coefficients (β=0.227; p= 0.000). The finding from this study shows that when savings is increased by 1unit, financial performance would increase by 0.227 units. This imply that there is a significant association between saving services and financial performance of women owned SMEs in Kiambu County, Kenya. Savings can make businesses build pre-requisite capital for business expansion, acquire seed capital to start or run their businesses and come up with a balance between the business growth and consumption. The study findings also agree with Chibueze et al. (2025), and Kimutai and Gakobo (2022) who agree that MFI savings improve financial performance.

Capacity building has positive significant effect on financial performance as shown by the coefficients (β=0.510, p= 0.000). The observation from the study is that by strengthening capacity building by 1 unit, it would result to financial performance strengthening by 0.510 units. This implies that Capacity building services exert a statistically significant effect on financial performance of women owned SMEs in Kiambu County, Kenya. The study agrees with Sajuyigbe et al. (2021), Yadav et al. (2025) and Wassem et al. (2019) who found out that capacity building techniques positively affect financial performance. Through training, the targeted groups are able to get various skills such as financial skills and management skills that enable them to run and operate their business efficiently and effectively with the net effect being on improved business performance.

Market facilitation has positive and statistically significant effect on financial performance of women owned SMEs in Kiambu County, evidenced by the coefficients (β=0.278; p=0.00). This finding further implies that when market facilitation is strengthened by 1 unit, financial performance of women owned SMEs in Kiambu County would strengthen by 0.278 units. means that market facilitation has a significant impact on financial performance of women owned SMEs in Kiambu County, Kenya. This finding is also in line with Santhi and Setyari (2019) and Aneta (2026) who all agree that market facilitation positively and significantly influences performance. Market facilitation give opportunity to small business to be linked with market and ensure their products reach the required clients and further brings the actors of the market together, thus creating forums and interactions on how the market systems have to function so that everyone benefits.

V. Conclusions And Recommendations

Conclusions of the Study

Financial performance of women owned SMEs in Kiambu County, Kenya was not significantly affected by credit facilities from MFIs. Despite the non-significant effect, MFIs can strengthen the credit management

policies and conduct sufficient client appraisal to ensure the clients are able to access sufficient credit and also served as they may prefer and make their products friendly and attractive to their clients.

Saving services with MFIs significantly affected financial performance of women owned SMEs in Kiambu County, Kenya. Savings can make businesses to build pre-requisite capital for business expansion, acquire seed capital to start or run their businesses and come up with a balance between the business growth and consumption.

Capacity building services had statistically significant effect on financial performance of women owned SMEs in Kiambu County, Kenya. Through training, the targeted groups are able to get various competence and management skills that enable them to effectively run and operate their business with the net effect being on improved business performance.

Market facilitation had significant effect on financial performance of women owned SMEs in Kiambu County, Kenya. Market facilitation give opportunity to small business to be linked with the market and ensure their products reach the required clients and further brings the actors of the market together, thus creating forums and interactions on how the market systems have to function so that everyone benefits.

Recommendations of the Study

Recommendation for Practice

The effect by credit services by MFI on performance of women owned SMEs was non-significant. However, the study recommends MFI to reassess their products to ensure they are attractive and meet the needs of the clients. They need to conduct sufficient client appraisal to ensure they qualify credits that are able to make a good change in the running of their clients' businesses.

Saving services had significant impact on financial performance of women owned SMEs. The SMEs have to grow a saving culture with MFIs or any other financial institution so as to build seed capital or generate cheaper capital that can be very important in expanding or boosting their businesses.

Capacity building services had significant impact on financial performance of women owned SMEs in Kiambu County, Kenya. MFIs need to do needs assessment to ensure the women entrepreneurs are able to receive directed training that may be very useful in promoting their saving culture, business operation and financial management skills.

Market facilitation had significant impact on financial performance of women owned SMEs in Kiambu County, Kenya. It is important for the MFIs to continue market facilitation and help link the women owned SMEs with the market.

Policy Recommendations

Credit facilities negatively affected Performance of SMEs particularly those SMEs that majorly relied on credit facilities to carry out their operations. The reasons for reduced growth were attributed to higher interest rates and shorter loan repayment periods. The government through the department of trade and Central Bank of Kenya, should come up with clear credit guidelines or policies in this sector to protect the SMEs. Microfinance Institutions should come up with policies that benefit SMEs saving with their facilities like getting lower interest loans based on the savings deposited by the SMEs. There is a need for MFIs to come up with policies directed towards SMEs managers training that may be very useful in promoting their saving culture, business operation and financial management skills.

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