

Effect of Financial Products on Financial Performance of Small and Medium Enterprises in Nairobi County

Abdifatah Bilow Bashir¹ & Herick O. Ondigo²

^{1 & 2} Department of Finance and Accounting, School of Business, University Of Nairobi, Kenya

Corresponding Author email: abdifatah.bashir141@gmail.com

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Abstract: The importance of financing products on performance of SMEs can therefore not be underestimated. Access to financing products such as savings, credit, insurance and payment services lead to a positive improvement in financial performance of SMEs. This study sought to determine the effect of financial products on the financial performance of Small and medium enterprises in Nairobi County with an aim of making policy recommendations for improvement. A descriptive survey design was adopted to achieve the research objectives. The study target population consisted of a total of 30, 253 small and medium enterprises which operate in Nairobi County according out of which 400 SMEs were sampled. The data collection instrument used was a questionnaire and data was analyzed through correlation and regression analysis. The study findings showed that the financing products that are micro savings products, micro credit products and internet banking products had a positive and significant effect on financial performance of SMEs. Micro insurance products had a positive but not significant effect on financial performance of SMEs. The study recommends SMEs in Kenya to adopt Savings products with high annual interest. There is also need for SMEs to adopt savings products with no minimum balance and savings products which are accessible any time. The study also recommends SMEs to adopt loan products which are guaranteed by the financial institutions such as short term loan products, emergency loan products and group loan products as well as micro leasing products. Further, there is need for SMEs to adopt insurance products such as property insurance products, life insurance products, general liability insurance products and crime insurance products. Furthermore, the study recommends SMEs to adopt internet saving products such as internet deposit products, internet credit products and internet insurance products.

Key Words: *Financial Products, Small and Medium Enterprises, Financial Performance*

Introduction

Small and Medium Enterprises (SMEs) are regarded as the engine for economic growth in developing economies in terms of wealth creation, creation of jobs and poverty alleviation (Koech, 2011). Through industrialization, SMEs provides a platform for a fast economic growth of a country. According to Mwangi (2011), small and medium enterprises are the socio-economic and political growth mediums in any economy particularly for the small economies. According to Wanjohi (2012), SMEs are vital for the growth and expansion of businesses because of their numbers. They lead to the growth of the economy by bringing about competitions in the commercial sector leading to an improvement in terms of service delivery. Despite this, the SMEs face challenges in their operation and are characterized by high failure rate. Financial products means the services that are provided by the financial institutions which includes deposit taking, investment capital, pension funds and insurance funds. Gaurav et al. (2011) refers to financial products as services designed to provide for loans, savings and the management of risks. Financial products are classified as either formal or informal in third world countries.

Normally successful and lawfully accepted financial institutions engage in the provision of Formal financial services (FinScope Ghana - 2010). Common instances of financial facilities that are termed as formal are loans, account confirmation, accounts' savings, debit and credit cards, insurance products, money transfer services, mobile banking, investment accounts, joint funds, retirement plans, private and government shares, stocks and construction loans. Bendig et al. (2009) in recent times argued that facilities provided by banks are categorized formal financial products as banks are lawfully bound. The growth of an enterprise or a firm can be determined in terms of their operations, profitability and cost effectiveness. Profitability helps determine whether the firms have the capacity to realize its objectives in form of revenue generation and soundness in comparison with the performance of other firms in different financial periods in a similar sector. Moreover, pointers such as the statements for financial position enable the firm to determine its financial performance. According to Atril (2008), the above mentioned pointers enable the firm to evaluate its viability and performance.

Government of Kenya's drive and objective to enhance the growth of SMEs was first put forward in 1986 policy report to be one of the fundamental issues. The report highlighted some of the problems hampering the performance of small and medium enterprises which were later documented in government's MSE policy report in 1992 and subsequently re-assessed in 2002. These subsequent reviews gave birth to new regulatory structures which are more inclined to the growth of SMEs in accordance with Kenya's' objective of wealth distribution, industrialization, creation of job opportunities and poverty alleviation (KADET, 2005).

Statement of the Problem

Galor and Zeira (2012) argue that access to financing products lead to a positive improvement in financial performance of SMEs. Micro finance institutions products' has become very fundamental in financing SMEs sector especially in third world countries. The same argument is echoed by Buro and Simiyu (2017) who noted that micro finance products affect performance of SMEs in a positive way. The importance of financing products on performance of SMEs can therefore not be underestimated. The high failure rate of SMEs globally has continued to be a challenge.

Sha (2006) argues that SMEs in Africa suffer from weak financial performance and a high failure rate while Perry & Pendleton (2009) argues that despite government efforts, SMEs still perform poorly in Africa. In Kenya, Nyamao et al. (2012) argues that despite the key contributions of SMEs in job creations and economic growth, up to 40 percent of SMEs don't go past their second anniversary while of all startups, up to 60 percent don't go past their fourth anniversary and this failure rate is attributed to financing. Studies conducted on financing products and performance of SMEs has left knowledge gaps. Globally, studies by Olalekan and Taiwo (2013) focused on micro insurance products in Nigeria, Ahiawodzi (2012) looked at factors influencing access to credit by small and medium enterprises in Ghana and Werner (2009) conducted a comparative study to determine how micro-insurance products affect SMEs performance in Bangladesh. These studies presented a contextual knowledge gaps and provide a chance to conduct a study locally to compare the findings.

Locally, a study conducted by Mutuku (2010) on the effect of microfinance institutions on SMEs in Kenya indicated that microfinance institutions greatly affect the creation of job opportunities and eradication of poverty, Makena(2011) and Ngugi (2009) studied on the financial constraints encountered by SMEs and revealed some shortage in access to finance to be an impediment to the growth of SMEs while Koech (2011) focused on financial constraints hampering SME's growth and concluded that principal market, interest price, access to credit, loan security, control of equity and registration fees were found to be the major factors affecting the growth of SMEs. Furthermore, Kemei (2011) looked at the association amongst MFIs' facilities and the growth of small and medium enterprises and indicated that micro finance institutions loans positively and significantly influences the performance of SMEs. These studies have presented conceptual knowledge gaps and this study has widened the scope to include more financing products in order to fill this gap. This study therefore sought to answer the question, what is the effect of financing products on financial performance of SMEs in Nairobi County?

Research Objective

The main objective was determine the effect of financial products on the financial performance of Small and medium enterprises in Nairobi County.

Theoretical Literature Review

Credit Access Theory

The proponent of the theory was Stiglitz and Weiss in 1981. The theory outlines how lack of information leads to faulty financial markets in third world countries like Kenya. Banking institutions advancing loans to SMEs are more focused on the interests that will accrue to them from loans but also the risks involved. Therefore, majority of the banking institutions scrutinize and monitor effectively borrowers as compared to other investors. The theory posits that information asymmetry on issues such as interest rates; price changes affect credit access (Pinaki, 1998).

The theory is relevant to the study as it helps explain the micro credit financing products. The theory links credit access to information asymmetry on issues such as interest rate and price changes. The theory posits that due to this information asymmetry, credit necessitates for collateral requirement for loans. High risk borrowers have more wealth as compared to low risk borrowers. Borrowers who are less prone to risks are more difficulty in securing collateral. In this regard, SMEs which can't afford the collateral end up missing on the credit and that affects their performance negatively.

Microfinance Credit Theory

Microfinance institutions came to the fore in mid 1950s through the Loan Board Scheme, (Dondo, 1999). The main aim for the formation of MFIs was to facilitate credit to local individuals having small trading business loans. Providing loans to groups is hailed as a major source of innovation for MFIs. It is also credited with the provision of remedies to the downfalls of loan markets, specifically the problem for curbing the symmetries caused by information. Normally, moral hazard and adverse selection are a byproduct of imperfect information systems. Failure to obtain the correct information leads to adverse selection as the lender does not get the right information about the volatility of the borrower.

According to Rahman (2010), the chances of default for borrowers increase with their level of risk. The increased risk for default calls for higher cost of interest rates particularly to riskier borrowers so as to compensate for their failure. Consequently, those who are less risky should be subjected to lower cost of interest. However, due to information asymmetry financial institutions are forced to impose higher cost of interest rates. The theory is of relevance to the study as it helps explain the science behind the interests charged on credit. According to the theory, lenders charge high interest rate on those borrowers they perceive as highly risky. Furthermore, information asymmetry can also play a role in the interests charged on borrowers since it is argued that high interest rate are charged due to the high risk associated with lending where there is information asymmetry.

Financial Growth Life Cycle Theory

The proponent of the theory was Berger and Udellin 1998. The theory argues that as SMEs grow in size, their opportunities for securing funding widens. The theory factors in the existence of varying nature of collateral as well as information in explaining the availability of funds for firms over time. Berger and Udell (1998) argue that due to information asymmetry, firms plan for a series of funding during their operation period based on financial pecking order. The theory states that the chances for small firms to acquire credit improves over time until they eventually gain better and bigger funding in form of loans or market equities. Small and medium enterprises advance in stages based on their equity. This theory is relevant to the study in understanding how financial products influence the performance of SMEs. The theory links access to financing products and financial growth of SMEs. The theory provides an understanding on access to financing products in relation to SMEs growth in size and opportunities for securing funding widens.

Adverse Selection Theory

The proponent of adverse selection theory of financial institutions was Stiglitz and Weiss in 1981. The theory states that the cost of interest that is charged by the financial institutions is key in determining the risks for every borrower which results in adverse selection. The subsequent action of the borrowers will bring about the effect of incentives. The type of the transaction is determined by the cost of interest rate. These effects are caused by information asymmetry in the credit markets. Therefore, banks opt to use the cost of interest rates to evaluate the risk of borrowers. Stiglitz and Weiss (1981) also states that large cost of interest rates entices MFIs to initiate tasks to firms with little opportunities for success leading to moral hazard problem. These forces financial institutions to take drastic measures such as formulation of loan contracts terms and in return induce borrowers who have low risks. When demand for credit supersedes the supply then an equilibrium rate of interests results. The theory also links financing products to financial performance of SMEs. The theory argues that the sum of collateral and loan determines how borrowers approach financial institutions as well as their probability of going back to banks

Empirical Literature Review

Olalekan and Taiwo (2013) conducted a study to determine the effect of short and long run associations between the economic growth of small and medium enterprises and micro-insurance development in Nigeria between the years 1986 to 2010. The study results revealed that micro insurance had a positive and significant association with the economic growth of SMEs in Nigeria. Further, results of the study indicated that presence of a long run association between micro insurance developments integrated with economic growth of SMEs in Nigeria. The study focused on insurance products in Nigeria. This presents conceptual differences with this study since this study incorporates not just the insurance products but also internet, savings and credit products. Ahiawodzi (2012) focused on examining the determinants of access to credit by small and medium enterprises in Ghana. The study focused on 78 SMEs and used questionnaires to collect data. Data was analyzed using correlations and regressions analysis. The study findings revealed that when SMEs are able to access financial services, it leads to better financial performance. Nkeobuna (2012) also carried out a study linking micro-credit products and performance of SMEs in Ghana using correlation and regression analysis. The data collected was primary. Results showed that micro-credit products had a positive and significant correlation with financial performance of SMEs in both financial service and agricultural sector. The study focused on credit access which called for more conceptual insight by focusing on other financing products. This was in order to fill the existing knowledge gaps presented by the study.

Sakthi and Kumar (2011) linked entrepreneurial development to financing products offered by MFIs. The findings showed that majority of Africans borrow to purchase food while few people in Africa borrow to start a business. The study further concluded that majority of the Africans lack knowhow of becoming successful entrepreneurs. It was established that there is lack of proper technical management skills, individual determination and willingness for fear of sharing ownership and failed to form partnership.

Werner (2009) conducted a comparative study to determine how micro-insurance products in Bangladesh varied with those of India and established that access to micro insurance products led to an increase in use of basic health services. It also increased ventures into more risky ventures by SMEs. The study was conducted in a developed economy. This is a contextual knowledge gap which called for investigation of the same topic in a different context such as Kenya so that the findings can be compared to establish a common argument position. Wachira (2011) established the determinants of micro credit use by SMEs in Kenya using primary data and inferential analysis. The findings showed that loan lending terms such as interest rate and collateral required affect access to credit by SMEs. In another study, Macharia (2012) linked micro credit products to the growth of SMEs in Kenya. The study used primary data. Descriptive and regression analysis indicated that micro credit products play a significant role in growth of SMEs. The study presents a conceptual knowledge gap. The main focus was credit financing products. This study has not only focused on three more financing products in form of micro insurance, micro savings and internet products, but also aims to link them to financial performance.

Another study by Nyabuga (2013) found that informal financial is instrumental in improving access to credit for small and micro-enterprises operated by women in Kibera leading to their empowerment. Correlation results showed a positive and significant association with access to credit, management and the growth of the enterprises operated by the women. The study also concluded that informal financial sectors have a positive effect on the growth of SMEs in Kibera. This study has widened the scope of investigation. There is a consideration to fill the contextual knowledge gap by focusing on not just Kibera but the entire County as a whole so as to enhance heterogeneity and reach more conclusive findings. Muthoka (2012) examined the link between micro financing products and financial sustainability among SMEs in Nairobi East District. The study used primary data and ran regression model to establish the relationship. The findings revealed that micro credit and financing products had led to financial sustainability among SMEs. This study has widened the scope of investigation. There is a consideration to fill the contextual knowledge gap by focusing on not just Nairobi East but the entire County as a whole so as to enhance heterogeneity and reach more conclusive findings. A study by Mokua (2013) on the other hand focused on the effect of management skills and collateral measures on growth of SMEs in Kenya. The study adopted descriptive research design and collected data among SMEs in Kisii County. The results revealed that lack of access to finance affected growth of SMEs and that bureaucratic procedures were the reason for insufficient finances to the enterprises from the monetary organizations. The study presented a conceptual knowledge gap which this study seeks to fill by focusing on a wider conceptual scope of financing products by inclusion of insurance products and internet banking products. This helps fill the conceptual knowledge gap.

Research Methodology

The study employed a descriptive survey design. It was appropriate for this study because it plays a role in answering the “what” and “which” and describes the phenomena of financial performance of SMEs as it is. The research design was hence suitable in establishing the effect of financing products on financial performance of small and medium enterprises. The study target population consisted of a total of 30, 253 small and medium enterprises which operate in Nairobi County according to the Company Registrar (2016). The study targeted the owners of the small and medium enterprises. Since the data to be collected was quantitative, the study used descriptive and inferential analysis methods to analyze.

Descriptive analysis entailed the use of means, standard deviation, percentages and trends in the study variables over the period of time. The study used correlation analysis to establish the association between the study variables. The study also used a multivariate regression model to establish the effect of the independent on the dependent variable. A regression model was used to establish the relationship between the study variables. The model was as indicated:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3+ \beta_4X_4+ \epsilon$$

Where Y – Financial performance of SMEs, X₁ – Micro Savings Products, X₂ – Micro Credit Products, X₃ – Micro Insurance Products, X₄– Internet Banking Products, ε – Is the error term’ and β_i= 1....4 are the coefficients of the predictor variables

Results

The number of questionnaires issued were 400 and out of this figure, a total of 312 questionnaires were properly filled and returned representing 78% response rate. This response rate is in line with Kothari (2011) who argued that a response rate of a response rate of 50% or more was adequate for a descriptive study.

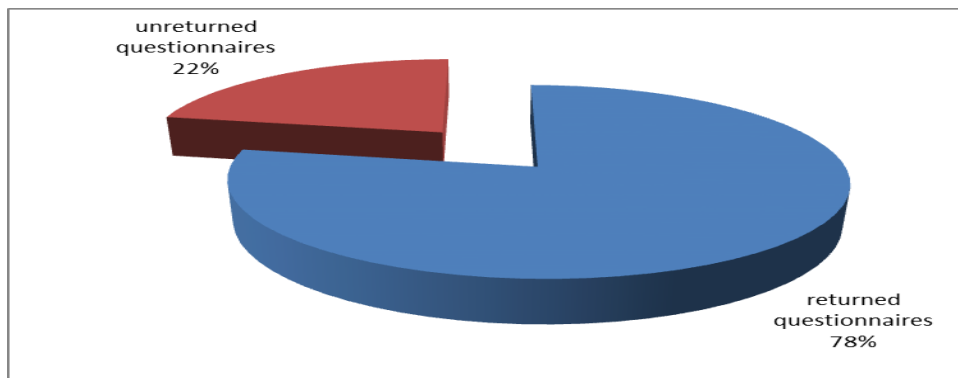


Figure 1 Response Rate

Respondents Demographic Information

Table 1 Respondent Demographic Information

Demographic Characteristic	Category	Percentage
Respondent’s level of education	Primary	18.9%
	Secondary	31.7%
	Diploma/certificate	25.6%
	Bachelors Degree	6.4%
	Masters and above	17.3%
Respondent’s work experience	Less than 2 Years	47.8%
	2 to 5 years	38.8%
	Over 5 years	13.5%
Respondent’s age	Less than 30 years	17.3%
	Between 31-40 years	23.1%

Demographic Characteristic	Category	Percentage
	Between 41-50 years	16.7%
	51 years and above	42.9%

Extent of Adoption of Financial Products

The study sought to establish the extent to which SMEs in Nairobi County have adopted the various financial products ranging from micro savings products, micro credit products, micro insurance products and internet banking products. The findings in Table 2 indicate the average response of the extent of adoption of each financing product.

Table 2 Adoption of financial products

Financing Product	Mean
Micro savings products	4.13
Micro credit products	4.02
Micro insurance products	2.11
Internet banking products	3.75

The findings of the study imply that SMEs have adopted micro savings products to a high extent (Mean = 4.13). Results also showed that SMEs have adopted micro credit savings to a high extent. On the other hand, micro insurance products have been adopted to a low extent (Mean = 2.11) while internet banking products have been adopted to a high extent (Mean = 3.75). As per the ranking, the most adopted financial product by the SMEs in Nairobi County is micro savings products followed by micro credit products then internet banking products and lastly micro insurance products which is the least adopted to a low extent.

Descriptive Results of the Study

Micro Savings Products

The study sought to establish the extent to which SMEs have adopted micro savings products. The results of the study are as presented in table 3. The findings of the study revealed that SMEs have adopted savings products with high annual interest to a moderate extent (Mean=3.01). The results of the study further indicated that SMEs have adopted target savings products to a high extent (Mean=4.38). Moreover, results indicated that firms have adopted savings products with no minimum balance to a moderate extent (Mean=3.22). In addition, the findings of the study showed that firms have adopted Savings products which are accessible any time to a moderate extent (Mean=3.36). On average, SMEs have adopted micro savings products to a moderate extent as indicated by a mean of 3.49.

Table 3 Micro Savings Products

Statements	Mean	Std Dev
Savings products with high annual interest	3.01	1.28
Target savings products	4.38	0.85
Savings products without no minimum balance	3.22	1.22
Savings products which are accessible any time	3.36	1.43
Average	3.49	1.20

Micro Credit Products

The study sought to establish the extent to which SMEs have adopted micro credit products. The results of the study are as presented in table 4. The findings of the study revealed that SMEs have adopted Loan products that are guaranteed by the financial institutions to a moderate extent (Mean=3.12). The results of the study further indicated that SMEs have adopted Short term loan products to a high extent (Mean=4.22). Moreover, results indicated that firms have adopted Emergency loan products to a high extent (Mean=4.17). In addition, the findings of the study showed that firms have adopted Group loan products to a moderate extent (Mean=2.90). Lastly, results of the study indicate that firms have adopted Micro leasing products (Mean=1.82). On average, SMEs have adopted micro credit products to a moderate extent as indicated by a mean of 3.25.

Table 4 Descriptive Analysis of Micro Credit Products

Statements	Mean	Std Dev
Loan products guaranteed by the financial institutions	3.12	1.43
Short term loan products	4.22	1.21
Emergency loan products	4.17	0.95
Group loan products	2.90	1.25
Micro leasing products	1.82	0.89
Average	3.25	1.15

Micro Insurance Products

The study sought to establish the extent to which SMEs have adopted micro insurance products. The results of the study are as presented in table 5. The findings of the study revealed that SMEs have adopted Property insurance products to a low extent (Mean=1.71). The results of the study further indicated that SMEs have adopted Life insurance products to a high extent (Mean=3.56). Moreover, results indicated that firms have adopted General Liability insurance products to a moderate extent (Mean=2.56). In addition, the findings of the study showed that firms have adopted Crime insurance products to a low extent (Mean=2.28). On average, SMEs have adopted micro insurance products to a moderate extent as indicated by a mean of 2.53.

Table 5 Descriptive Analysis of Micro Insurance Products

Statements	Mean	Std Dev
Property insurance products	1.71	0.83
Life insurance products	3.56	0.50
General Liability insurance products	2.56	0.96
Crime insurance products	2.28	1.06
Average	2.53	0.83

Internet Banking Products

The study sought to establish the extent to which SMEs have adopted Internet Banking Products. The results of the study are as presented in table 6. The findings of the study revealed that SMEs have adopted Internet Saving products to a moderate extent (Mean=3.24). The results of the study further indicated that SMEs have adopted Internet Deposit products to a low extent (Mean=2.40). Moreover, results indicated that firms have adopted Internet credit products to a high extent (Mean=4.38). In addition, the findings of the study showed that firms have adopted Internet insurance products to a moderate extent (Mean=3.09). Lastly, the results of the study revealed that firms have adopted Internet bill payment products to a high extent (Mean=3.72). On average, SMEs have adopted Internet Banking Products to a moderate extent as indicated by a mean of 3.37.

Table 6 Descriptive Analysis of Internet Banking Products

Statements	Mean	Std Dev
Internet Saving products	3.24	1.40
Internet Deposit products	2.40	1.39
Internet credit products	4.38	0.85
Internet insurance products	3.09	1.66
Internet bill payment products	3.72	1.31
Average	3.37	1.32

Financial Performance of SMEs

The study sought to determine the percentage change in firm’s gross profit between the years 2014 and 2016. The findings of the study indicated a sharp drop in the gross profit in 2015 from 23% to 21% but it slightly improved in 2016 to 22%.

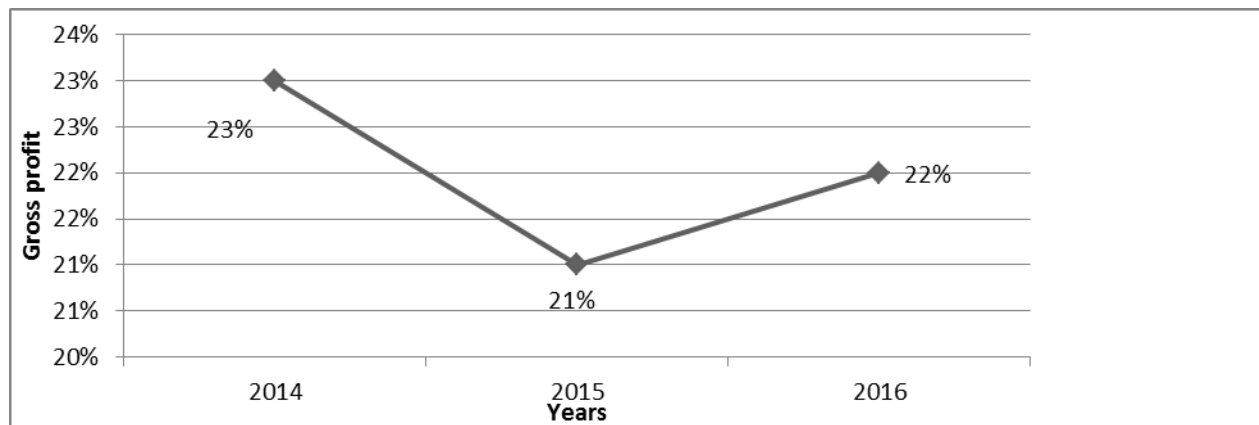


Figure 2 Trends for Gross Profit

The study sought to determine the percentage change in firm's Totals sales between the years 2014 and 2016. The findings of the study indicated a sharp drop in the gross profit in 2015 from 34% to 29% but it slightly improved in 2016 to 31%.

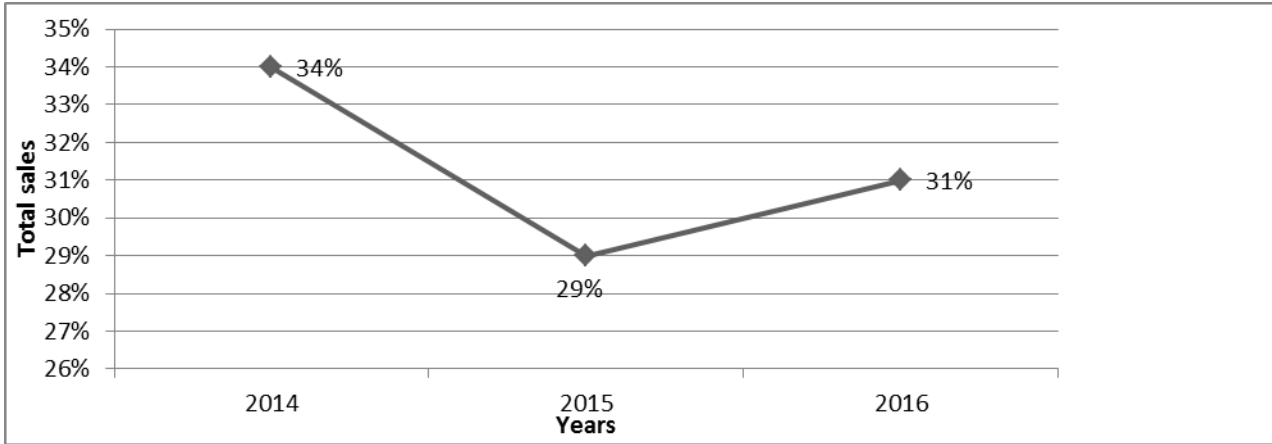


Figure 3 Trends for Totals sales

The study sought to determine the percentage change in firm's Business operating cash between the years 2014 and 2016. The findings of the study indicated a sharp drop in the Business operating cash in 2015 from 49% to 39% but it slightly improved in 2016 to 43%.

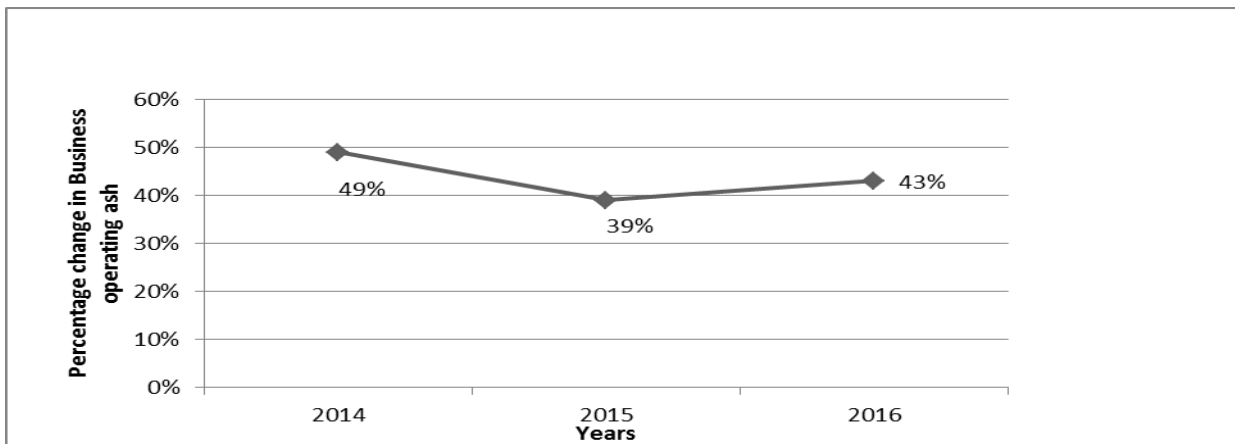


Figure 4 Trends for Business operating cash

The study sought to determine the percentage change in firm's Business market share between the years 2014 and 2016. The findings of the study indicated a slight increase in Business market share in 2015 from 13% to 14% but it sharply decreased in 2016 to 10%.

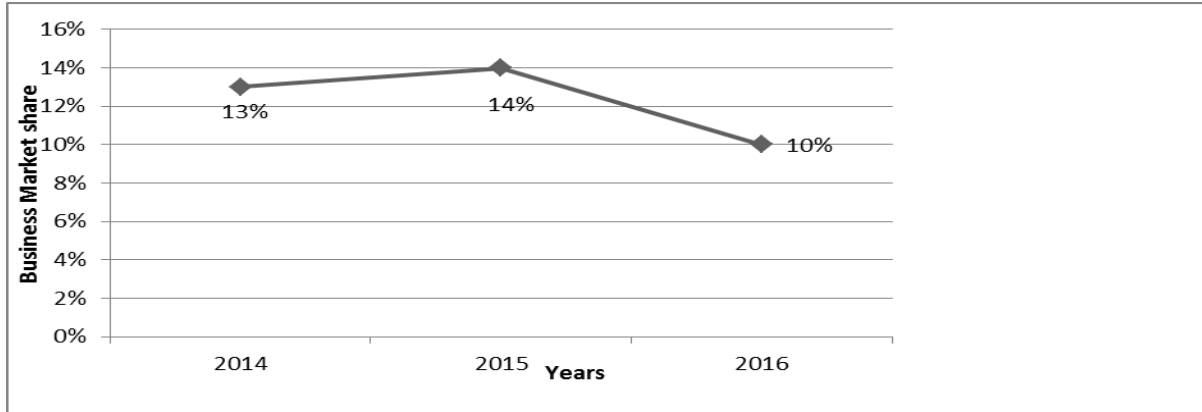


Figure 5 Trends for Business market share

Correlation Results

The summary of the correlation analysis results are indicated in table 7. The findings of the study indicated that micro savings products had positive and significant correlation with the financial performance of SMEs ($R=0.342$, p value= 0.000). The correlation results also revealed that there was a positive and significant relationship between micro credit products and financial performance of SMEs ($R= 0.425$, p value= 0.000). Moreover, study findings revealed that there was a positive but insignificant association between micro insurance products and the financial performance of SMEs ($R= 0.062$, p value= 0.272). Finally, correlation results showed that there internet banking products had a positive and significant relationship with the financial performance of SMEs ($R= 0.364$, p value= 0.000).

Table 7 Correlation Analysis

Correlations		Micro savings products	Micro credit products	Micro insurance products	Internet banking products	Financial Performance
Micro savings products	Pearson Correlation	1				
Micro credit products	Pearson Correlation	.226	1			
Micro insurance products	Pearson Correlation	0.101	.221	1		
Internet banking products	Pearson Correlation	.161	0.058	-.198	1	
Financial Performance	Pearson Correlation	.342	.425	0.062	.364	1
	Sig. (2-tailed)	0.000	0.000	0.272	0.000	

Regression Analysis

The study conducted regression analysis to determine the relationship between micro savings products, micro credit products, micro insurance products, internet banking products and financial performance of SMEs in Nairobi County. The regression analysis findings presented in Table 8 indicated that the coefficient of determination (R squared) was 0.338 which imply that 33.8% variation in the financial performance are explained by micro savings products, micro credit products, micro insurance products and internet banking products.

Table 8 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.581	0.338	0.329	0.6322

The results of the overall model significance are as indicated in table 9 below. The study findings reveal that the overall model was significant. The F statistic for the model of 39.207 was significant (Sig = 0.000), hence an indication that the model linking financial products to financial performance was significant. To corroborate the findings, the study also used the F-distribution table to obtain the F-critical value (F 0.05 (4,307)) calculated at =5%, using denominator degrees of freedom of 307 and numerator degrees of freedom of 4 and compared against the F-calculated value of 39.307. The rule of the thumb was that if F-calculated is greater than the F-critical, then the model was significant. The F-critical value from the F-distribution table was 2.401, which is less than 39.307 hence it confirms the previous findings that the model linking financial products to the financial performance was significant.

Table 9 Analysis of Variance (Model Significance)

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	62.685	4	15.671	39.207	.000
Residual	122.71	307	0.4		
Total	185.395	311			

The optimal Regression Model for the study thus

$$\text{Financial performance} = 0.573 + 0.412 \text{ Micro Credit Products} + 0.38 \text{ Internet Banking Products} + 0.210 \text{ Micro Savings Products}$$

The summary of the regression coefficients results is as shown in table 4.11 above. The study findings showed that micro savings products had a positive and significant association with financial performance ($\beta = 0.210$, Sig = 0.000). The findings imply that a unit increase in the consumption of micro savings products leads to 0.210-unit increase in the financial performance of SMEs. The study findings also showed that micro credit products had a positive and significant relationship with the financial performance ($\beta = 0.412$, Sig = 0.000). Results of the study imply that a unit increase in the consumption of micro credit products leads to 0.412-unit increase in the financial performance of SMEs. Moreover, the findings also showed that micro insurance products had a positive but insignificant relationship with the financial performance ($\beta = 0.046$, Sig = 0.601). Results of the study imply that a unit increase in the consumption of micro insurance products leads to 0.046-unit increase in the financial performance of SMEs. Finally, the findings also showed that internet banking products had a positive and significant relationship with the financial performance ($\beta = 0.38$, Sig = 0.000). Results of the study imply that a unit increase in the consumption of internet banking products leads to 0.38-unit increase in the financial performance of SMEs. The significance of the coefficient using p values is corroborated by use of z or t values. At =5%, $z=1.96$ (note this being a large sample since $n=312$). Z values for $x_1(4.307)$, $x_2(7.26)$ and $x_4(6.51)$ are greater than 1.96, hence statistically significant while that of $x_3(0.524)$ is not significant.

Table 10 Regression coefficients

Variables	B	Std. Error	Beta	t	Sig.
(Constant)	0.573	0.345		1.662	0.098
Micro savings products	0.21	0.049	0.209	4.307	0.000
Micro credit products	0.412	0.057	0.354	7.26	0.000
Micro insurance products	0.046	0.087	0.026	0.524	0.601
Internet banking products	0.38	0.058	0.315	6.51	0.000

Conclusion of the Study

The study concludes that savings products have a positive effect on financial performance of SMEs. The study also concludes that SMEs have adopted savings products with high annual interest, target savings products, savings products with no minimum balance and savings products which are accessible any time. The study also concludes that micro credit products positively affect financial performance of SMEs. It was concluded that SMEs have adopted short term loan products, emergency loan products and group loan products as well as micro leasing products. The study further concluded that insurance products have a positive insignificant effect on financial products of SMEs. It was concluded that SMEs have adopted property insurance products, life insurance products, general liability insurance products and crime insurance products. The findings also led to the conclusion that internet saving products have a positive significant effect on financial performance of SMEs. It was also concluded that SMEs have adopted internet saving products, internet deposit products, internet credit products and internet insurance products

Recommendations of the Study

The study recommends SMEs in Kenya to adopt Savings products with high annual interest. There is also need for SMEs to adopt savings products with no minimum balance and savings products which are accessible any time. The study also recommends SMEs to adopt loan products which are guaranteed by the financial institutions such as short term loan products, emergency loan products and group loan products as well as micro leasing products. Further, there is need for SMEs to adopt insurance products such as property insurance products, life insurance products, general liability insurance products and crime insurance products. Furthermore, the study recommends SMEs to adopt internet saving products such as internet deposit products, internet credit products and internet insurance products.

Conflict of Interest

No potential conflict of interest was reported by the authors.

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