

Innovations

The impact of microfinance services on the growth of small business enterprises in Jijiga and Degahbur cities administration

Abdi Mohamed Muhumed

Lecturer at Department of Accounting and Finance

College of Business and Economics

Jijiga University

Abstract: The main purpose of this study was to examine the impact of microfinance institution services on the growth of small business enterprises in jijiga and Degahbur cities administration. Small business clients have always had challenges in investing in business due to lack of capital, financial management skills, or the suitable ideas on viable business. This study adopted an explanatory method that aimed at finding the impact MFIs services on the growth of SBEs to identify the extent cause and effect relationship of variables. The study adopted cross-sectional survey. A sample technique that used by the researcher was simple random sampling the representation of total sample size 154. This study used both primary and secondary source of data with the research approach of qualitative and quantitative approaches. The researcher found that microfinance services had positive impact on the growth as revealed by the both descriptive regression analysis. The researcher concludes that After discussing with respondents about the involvement of microfinance institutions to the growth of small business enterprises in Jijigaand Degahbur and presenting the collected data in the form of description, percentages, statistical tables and frequency distribution, we discovered that the majority of the respondents confirmed that microfinance institution services had impact on the growth of small business enterprises. Regarding the impact of those services to the growth of their small businesses clients, the respondents revealed that all microfinance services from the Somali Microfinance Institution had make a payment to the growth of small business by increasing their total sales turnover and capital. The recommendation of Microfinance Financial institutions, particularly Somali microfinance banks should be encouraged increasing their loans and training to SBEs workers. This can be achieved from side to side comforting the conditions of granting loan, flexible repayment period, reduction in the rate of interest and awareness through routine training and programs.

1. Introduction

The establishment of SBEs makes employment but these enterprises cannot stay alive for long if they do not have access to enough capital as a result they are bound to die after a short although causing those who gained job positions to lose them and even go not as good as than how they were when they do not have sufficient support from government and financial institutions. Researcher has viewed microfinance service in different scope. Microfinance institution services offers people new opportunities by helping them to get and protected finances so as to equalize the chances and make them responsible for their own future. The concept of small business enterprise may

be varying from one country to another country. Depending the service and scope of the activities covered by them and the amount of capital required to finance their business operation. In the folder of Ethiopia a proclamation No.40/1996 which offers for the establishment of microfinance institutions, was subjected in July 1996. Even though the development of microfinance institutions in Ethiopia started recently the microfinance institutions have shown a notable growth in terms of outreach. According to Peck and W/Yohannes (2009) much of eagerness behind microfinance is driven by its potential to help poor people, better manage their

financial resources, take on new economic opportunities, mitigate everyday risk, decrease vulnerability and enhancement condition. Microfinance has unwritten as causative not only to poverty reduction and financial resource management and sustainability and increase small business of the country their capital and reducing the unemployment rate, increasing gross domestic product, but also to a series of economic development, increased well being, social political empowerment for women by the addressing the goal of the gender equality (Getaneh 2015). Today in our country there are a lot of different microfinance institutions that are targeted poor in terms of both financial and non-financial services. Somali microfinance institution share company (SMFISC) is one of the Ethiopian microfinance institutions which formed and established by the Somali regional state and other stockholders that are licensed on January 31, 2011 by the National Bank of Ethiopia according to proclamation No.626/2009. It's the main objective of the Somali microfinance institution is to offer financing and saving service to the active poor both rural and urban, support self-employment and income generating activities, promote rural and urban micro and small enterprises and improve the culture of the savings by wider public of the region (Muluken and Mesfin 2014). It is a well-known truth that most of the formal banking institutions do not prioritize doing business with individuals and small business customers since they believe them to be high-risk clients. SBEs are considered high-risk businesses because they lack the necessary collateral to supply as a security for loans and the loan process is costly because applicants that are mandatory for the relatively larger loan requests made by middle and huge level firms. This has been a major problem to SBEs and as such difficulty in getting enough support to operate and as a result depend on personal savings and support from family and friends.

The growths of the small businesses have always challenges in investing in business due to lack of capital, financial management skill, good understanding about the business idea. Lack of financial resource is one of the major problems facing growing small business. The provision of the financial service the small business has increased through microfinance institutions in short period of time in Ethiopia (Wolday, 2003).

One of the issues raised by researchers is that, it has not been satisfactorily or significantly evaluated in relation to its impact (Meehan, 1999). Impact assessment can be used to develop services,

increasing impact on growth and microfinance institution efficiency, to support good customer service and accountability and to provide accountability to donors and other external stakeholders (SEEP, 2001). If the involvement is anticipated to existence of small business, it is important to know the degree to which small business use existing services and on what terms they used. The results of few case studies indicated that access to finance could increase the growth of small business. Very limited researches towards improving the financial sector have been observed (Wolday, 2003). Even these limited researches are more concentrated on institutional sustainability rather than client impact or sustainability. There are number of studies examining the impact of microfinance services on differently, examining how the availability of microfinance influences households, borrowers from informal sources in the village economic using at unique household level panel data, set spanning more than two decades. This impact of microfinance will be measured in terms of the sales volume and increase of capital. Also determine whether microfinance services have helped to get better the existence and expansion of small business and future investment, increase capacity and better able to arrangement with privileged resources. Thus, studying the impact of microfinance services participation is important to evaluate business and most of impact studies were concentrated with the contribution of microfinance services to individuals, households or livelihood. And this research would focus on the show of small business enterprise measuring growth of sales and total assets. Though there are researches conducted different part of world and this will be differing by looking performance for the growth of small business enterprises (performance of small business can be measured in terms of volume of sales and total assets and overall of live conditions of business and expansion of investment) SMFI has not undertaken any impact assessment study to understand or evaluate whether or not there is relationship in the microfinance services and of the growth of small business. To fill the identified gap this research tried to examine the extent to which the possible growth and performance of small business enterprises is connected with receiving services of microfinance. This particular study attempted to assess the impact of microfinance service on growth of small business by taking a case study of SMFI. Therefore, researcher was focused on the impact of microfinance services by looking different dimension for by the relationship between services of the

microfinance institution and the growth of small business in **Jigjiga and Degebur** cities administration towns but the previous researches couldn't cover clients and all together of services of

2. Methods

2.1. Study Area

Location: this study mainly focused on SMFI and its impact of microfinance institution on the growth of small business in jigjiga and degebur cities administration. jigjiga is the capital city Somali regional states and also one of the six city administration which is located in Fafen Zone of Somali regional state(SRS). Its bordered Southeast by Qabribayah district, on the north by Tuli-guleddistrict, on northeast by Awbare district, on southwest by Gursum district and on west byOromia Region.Jigjiga is located at 610km away from Addis Ababa the capital city of the country, 102km from the capital of Harari Region and 166km from Diredawa city administration. The total area of jigjiga is approximately 23,515km square and the average elevation of jigjiga is 1803 meter above the sea level. Also Degabur is one of the cities administrations of SRS. Degabur is located in Jarar zone SRS. It's bordered on the north Yo'ale district, on the south by Birqod district, on the east Aware district and on the west by Ararso district. Degabur is located 175km away from jigjiga city the capital city of SRS and 785 km away from Addis Ababa the capital city of the country.

2.2. Study design

This study adopted an explanatory research method that aimed at finding out the impact of the Microfinance Institutions services on the growth of Small Business Enterprises in Jigjiga and Degabur of Somali region. Explanatory research was conducted in order to identify the extent and the nature of the cause and effect relationship. This research design was conducted to assess the impact of specific change of the microfinance service and the growth of the small business enterprise. This explanatory research focuses on the analysis of a situation or specific problem to explain the patterns of relationship between variables. The presence of explanatory research has objective for causal research design: To assess the impacts of MF services on the level of growth of the small business enterprise. To analysis the effects and identify the nature of impact of services and increase the level of growth of small

the microfinance and the researcher had looked clients section and together with all services of the microfinance institution provides.

business enterprises as well as assessing the impacts of changes on the existing norms and process.

2.3. Population of the Study

The research population consisted of 9,180 registered Jigjiga and Degabur cities SBEs. In order to answer the research questions that developed in this study and to investigate the Impact of microfinance institution services on the growth of SBEs; it is required to have quantitative data of a statistically representative sample of SBEs.

2.3.1. Sampling Design

A research sampling design was that part of the research plan that indicates how cases are to be selected for observation. The design therefore maps out the procedure to be followed to draw the study's sample. A sampling frame is a list of elements from which the sample is actually drawn and is closely related to the population under study (Cooper and Schindler, 2003). In this study, the sampling frame represent of Small Business enterprise entrepreneurs and the information would be obtained from the Somali microfinance institutions.

2.3.2. Sample Techniques

The populations of this study were small business clients who are involved in the SMFI in **Jigjiga and Degabur** branches. The sampling technique used in this study would be both probabilistic and non-probability sampling techniques. This is the method where the probability of a particular sample being selected is unknown. Non-probability sampling is defined as 'a sampling technique where the researcher selects the sample units based on subjective judgment (Saunders et al. 2009).

154 clients were selected based on simple random sampling to the representative of the total population. The researcher believes that they have the information required for this research.

$$n = \frac{N}{1 + \frac{N(e)^2}{9,180}}$$

$$n = \frac{9,180}{1 + 9,180(0.08)^2}$$

$$n = \frac{9,180}{1 + 59}$$

$$n = \frac{9,180}{60}$$

$$n = 154$$

2.3.3. Sources of Data

A source was regarded as the origin of something and hence sources of data are the origin where data is derived. In research, data source serves as a medium that facilitates the shipment of research information. There are two types of data sources in research.

2.4. Data collection procedure of the study

This research was conducted to collect information using administered questionnaire and interview where a face to face encounter between the researcher and the respondents were performed. This method of data collection has the advantage of providing in depth data collection, that is both qualitative and quantitative data could be easily collected. The method also facilitates clarification through interaction and usefulness. Since a good part of the population is semi literate, it is possible to translate the questions to understandable the language to them through interaction in the interview.

2.5. Data Analyzes and Interpretations

There are several statistical procedures that can help to better analyze and understand the data that has

$$GSBEs = \alpha + \beta1AGE + \beta2ED + \beta3MS + \beta4SS + \beta5LS + \beta6LT + \beta7LR + \beta8LC + \beta10TP + \beta11FA + \beta12BIG + \epsilon$$

Where: GSBEs= Growth of Small Business Enterprises

- α =Constant (Alpha)
- AGE= Age of the respondent
- ED= Education Background
- SS= Saving Service
- Ins. service = insurance service
- LT = Loan term

been conducted by means of a survey. The purpose of analytic methods is to convert data into information needed to make decisions. Data analysis incorporated both qualitative and quantitative methods. Quantitative data would be analyzed using descriptive and inferential statistics. Descriptive was used to describe the basic features of the data in the study in the tendencies and then replicated in tabular manner. It involved use of percentages and frequencies.

Conclusions from inferential statistics were used to Analysis of Variance (ANOVA), Correlation analysis, and regression analysis specially Multiple regression analyzes (determining, specifying and measuring these independent variables) was employed on this study by looking the independent variables at the same time the dependent variable extended beyond the immediate data alone to the relationships that establish themes and conclusions that was be arrived at further strengthening the quantitative data. This model of analysis examined the simultaneous effects of the independent variables on a dependent variable. This study was analyzed the Statistical package for the social science (SPSS) software on 20th version. After the data analyze with this software the researcher was cross-checked the classical linear regression assumption whether data are statistically significant or indifference.

4. Econometric model

The econometric model of this study was show the relationship between dependent variable (Growth of Small Business) and the independent variable which the relationship between microfinance services and the growth of small business that provided by Somali microfinance institution.

- LS= Loan Size
- LC= loan Collateral
- LR= Loan Repayment
- TP= Training Program
- FA= Financial Advisory
- BIG= Business Idea Generation

ϵ = Error Ter

3. Results

This chapter presents a detailed data analyze, presentation, interpretation and discussion and

analysis of findings of the study with particular reference to the responses received findings of the

study, tables, and figures regression model and other related that are useful to the study. It presents discussions on the detailed profile of SBEs who are beneficiaries of the Services of MFIs, the impact of MFIs on the business activities that lead to the sustainable growth of SBEs in the Jijiga and Degahbur cities administration. Data collected for the study were quantitatively and qualitatively analyzed. To achieve the objective of the study, SPSS version 20 Statistical software was used to analyze data. Linear regression was used to establish the impact of microfinance services on the growth of SBEs in Jijiga and Degahbur cities administration of Somali Regional State.

3.1. Respondents’ rate

Out of the intended 154 respondents, only 146 returned fully completed questionnaires, giving a response rate of 96%. This response is acceptable as recommended by Mugenda & Mugenda (2003). This reasonable response rate was realized after the researcher made personal calls and visits to remind the respondents to fill and return the questionnaires.

3.2. Demographic characteristic analysis

This section analyzes the demographic data of the selected respondents. It helps to build a profile of the respondents on their gender, age, marital status and level of formal education for the respondents and their period in active business. The study findings are summarized in the subsequent sub-headings in tables:

Table 4.1 respondents’ rate

Category	Questionnaires sent	Responses received	Response rate(as % of total
SBEs	154	146	96

Source: field data survey 2018

Demographic characteristic analysis

Questions	Description	Frequency	Valid percent	Cumulative percent
Gender of the respondents	Male	69	47.3	47.3
	Female	77	52.7	100.0
Age Group	Age 20-30	18	12.3	12.3
	Age 31-40	93	63.7	76.0
	Age 41-50	31	21.2	97.3
	Age 51-60	4	2.7	100.0
Marital status	Single	23	15.8	15.8
	Married	79	54.1	69.9
	Widow(er)	32	21.9	91.8
	Separated	12	8.2	100.0
Educational level	None	15	10.3	10.3
	Primary	51	34.9	45.2
	Secondary	68	46.6	91.8
	University	12	8.2	100.0

Source: field survey 2018.

According to the above table, it shown that genders of the respondents were out of 146 sample population 77(52.7%) were female participants and the remaining of 69(47.3%) of the respondents were also male participants. This shows the majority of the small business enterprise who were participated this was female.

The study wanted to determine how gender influenced those who had business and how MFIs had helped to offset solutions to gender disparity in setting up businesses. This was due to the evidence that men had previous access to capital for starting the business. However, with the emergence of the microfinance institutions in the area, more people are coming up to seek its services and more especially women who previously were hampered by lack of adequate capital to startup businesses. The number of women compared to men engaged in small business enterprises was expected to increase because the microfinance institutions are providing a favorable investment climate to break the gender barriers experienced before in the area after all. As a result of capital provision through micro credit loans from SMFIs, more women had involved in setting up of small business enterprises in Jijiga and Degahbur than before.

The age group of the respondents were classified as the majority of respondents were the age between 31-40 year which was 93(63.7%), Those participating in small business enterprises are mainly the mature youth in the age brackets of 31 to 40 years who have the potential to source capital from various avenues and investments. Out of 31(21.3%) of respondents were the age between 41-50 years, were 18(12.3%) individuals of the respondents were the age between 20-30 years and also the last portion of 4(2.7%) of respondents were the age between 51-60 years. Therefore, the majority of this study was the mature business clients who had capabilities to manage their businesses and found their profits.

According to the above table, the marital statuses of the study the majority part of respondents were married. Out of 146 participants 79(54.1%) were married, were also 32(21.9%) of the respondents were widow(er), 23(15.8%) of the respondent was single status and the remaining of 12(8.2%) of the respondents were separated. Therefore, the majority of this study was married participants. The reason of getting a big number of married respondents in this study is that the married people are those who are stable and trustable with the microfinance

institutions, so that they are highly concerned with services provided by those microfinance institutions including the SMFIs. According to the views of respondents during interview, lack of collateral is the main challenge that prevent the youth from getting loan which would enable them to start small businesses.

According to the educational level attained by the owner/managers of participants which was the majority of respondents 68(46.6%) were holds the secondary education levels, while 51(34.9%) of the respondents had attained by the primary level, 15(10.3%) were not attend any kind of education and the remaining of the 12(8.2%) were completed a university education. What this implied is that the selected small business clients would understand the questions and answer as expected because their level of education allows them to have the basic knowledge in reading and writing. Therefore, the having educational background can give an advantage in the success of business clients/owners and borrowing credits the microfinance institutions' (Simanowitz& Brody, 2004).

3.3. Multiple Regressions Analysis

The researcher further sought to establish the impact of each of the independent variables; (Collateral, Loan interest, Insurance services, Business Idea Generating, Age Group, educational level, Saving service, Loan Term, Loan repayment, Loan Size, Training program, Financial Advisory) to the dependent variable of the growth of small business enterprise in Jijiga and Degahbur cities administration. The regression model below was used to determine the extent to which the predictors.

3.3.1. MODEL SUMMARY

In the model summary Adjusted R squared is coefficient of determination which tells that the variation in the dependent variable due to changes in the independent variables, from the findings as shown in the table the value of adjusted R squared was 0.52 an indication that there was variation of 52% on the growth small business enterprises due to changes in Collateral, Loan interest, Insurance services, Business Idea Generating, Age Group, educational level, Saving service, Loan Term, Loan repayment, Loan Size, Training program, Advisory services provided by MFIs at 95% confidence interval. R is the correlation coefficient which shows the relationship between the study variables. From the findings shown in the table below there was a

strong positive relationship between the study variables as shown by 0.748.

ANOVA results established the significance of the regression model from which an f-significance value of $p < 0.000$ was recognized involving that the model has a less than 0.001(probability) of giving a wrong prediction. The F-Statistic which is input statistic in this cross-section study is 14.083 (0.000) and is significant at 95% confident level. This implies that almost all the independent variables in the model have jointly influenced to the growth of the SBEs in the Jijiga and Degahbur cities administration. The output in this case is presented in the table below:

3.3.2. The Analysis Of Variance (ANOVA)

To find out whether the overall regression model was a good fit for the collected data, an ANOVA was done. The ANOVA analysis is anticipated to investigate whether the variation in the independent variables explain the observed variance in the outcome – in this study the impact of MFIs services on the growth of Small Business enterprises. The

Table: 4.14.1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748 ^a	.560	.520	2.220

a. Predictors: (Constant), Collateral, Insurance services, Business Idea generating, saving service, Loan Term, Loan repayment, Loan Size, Training program, Advisory service.
 b. Dependent Variable: GSBE

Source: field survey 2018.

ANOVA						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	833.009	12	69.417	14.083	.000 ^b
	Residual	655.574	133	4.929		
	Total	1488.582	145			

a. Dependent Variable: Growth of SBE
 b. Predictors: (Constant), Advisory Service, Saving service, Loan Term, Training program, Insurance services, Collateral, Business Idea Generating, Loan Size, Loan repayment.

Source: field survey 2018.

3.3.3. Regression Coefficients

The regression model was used to establish the relationship between the independent variables and the dependent variables. The regression model obtained was;

$$Y = 13.841 + 0.286\text{Saving} + 0.609\text{Insu} - 3.067\text{coll} - 0.169\text{LTerm} + 0.236\text{Lsize} - 0.219\text{Lrepayment} + 1.778\text{Tprogram} + 0.134\text{Advisory} + 0.401\text{BIG} + e$$

Table 4.14.3. The coefficients in regression model were presented in Table below:

Regression Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	13.841	1.878		7.371	.000
Saving service	.286	.073	.311	3.925	.000
Insurance services	.609	.148	.324	4.114	.000
Collateral	-3.067	.567	-.411	-5.412	.000
Loan Term	-.169	.077	-.179	-2.179	.031
Loan Size	.236	.089	.216	2.654	.009
Loan repayment	-.219	.049	-.353	-4.522	.000
Training program	1.778	.469	.301	3.789	.000
Advisory Service	.134	.057	.283	2.359	.020
Business Idea Generating	.401	.195	.331	2.057	.042

Source: field survey 2018.

It can be noted that the independent variables were all significant at 5% significant level. From the above regression model, when combined independent variables assume and remain constant (zero value); the growth of small business enterprises would be equal to 13.841 in the total sales and capital.

While saving service had the highest influence on the growth of small business enterprises when all other variables remain constant, a unit increase to the saving service leads to an increase the growth of small business enterprises 0.286 in the total sales turnover. Therefore, saving services has a strong positive relationship to the growth of SBEs which indicates that it is statistically significant at 0.000. This data indicates that saving is very important to SBEs in Jijiga and Degahbur. This concurs with Gardiol, (2004) that Savings is a critical service for entrepreneurs. According to insurance service of SMFIs indicates the above equation shows that An Increase in micro insurance would give way 0.609 increases in annual growth of sales turnover which indicated by all other variables remain constant a unit addition to the insurances service would change in

increase of 0.609 and growth of annual sales turnover which indicates that it is statistically significant at 0.00. As presented the above regression model, collateral has a strong negative relationship of the growing small business enterprises which is statistically significant. According to highly required the collateral in MFIs, it would lead to decrease growth small business enterprise in jijiga and degahbur cities with -3.067 of the growing sales turnover. This indicates it is statistically significant at 0.00. An improvement in loan term credit would yield a -0.169 will lead to decrease the growth of small business enterprises in the total sales turnover for a year which indicates that it is statistically significant at 0.031 which is less than 0.05. As the small business enterprises need loan from MFIs, this loan size determines and affected positively growth of sales turnover, then as indicated the above regression model loan size, every addition of loan would lead to increase in the growth of sales turnover of 0.236 which indicates that it is statistically significant at 0.009 which is less than 0.05. As the study revealed that loan repayments were also impacted the growth of small business enterprises, then as indicated the

regression model table above, the loan repayment influenced by loan amount (size) and loan duration. According to this study as the loan amount (size) is large the loan repayment would be long and the reverse is true. Then loan repayment would also affect the growth of small business enterprises provided by MFIs. Therefore, with regard, the regression model of the study gives that loan repayment negative influenced the growth of small business enterprises, in every edition of the loan frequency of repayment would decrease the -0.219 percent of the growth of small business enterprises which indicates that it is statistically significant 0.000 which is lower than 0.05. According to Olowe F.T, Moradeyo O.A and Babalola O.A(2013) on repayment of asset loan, the result obtained shows a negative impact on SBEs growth, this indicates that as the frequency of repayment is increased, SBEs growth will decrease by 44.9%. As shown the above table, MFIs provide a training program to its members that one unit change in Business Training results in a 1.778 unit increase in annual growth in turnover of the small business enterprises which indicates that it is statistically significant to 0.000 which is less than 0.05. The study findings will aid government capacity building organizations, policymakers, non-governmental organizations, religious bodies, financial institutions, tertiary colleges, universities and individuals in developing feasible capacity improvement programs for business. These results are in agreement with the conclusions made by Siekei, Wagoki & Kalio (2013)

3.4. Discussion Research Findings

In the model summary Adjusted R squared is coefficient of determination which tells that the variation in the dependent variable due to changes in the independent variables, from the findings as shown in the table the value of adjusted R squared was 0.52 an indication that there was variation of 52% on the growing small business enterprises due to changes in Collateral, Loan interest, Insurance services, Business Idea Generating, Age Group, educational level, Saving service, Loan Term, Loan repayment, Loan Size, Training program, Advisory services provided by MFIs at 95% confidence interval. R is the correlation coefficient which shows the relationship between the study variables. From the findings shown in the table below, there was a strong positive relationship between the study variables as shown by 0.718. this shows that the

where they concluded that training programs led to a significant improvement in the financial performance of SBEs. The researcher, therefore, concludes that training programmes influence business growth of SEs among in Jijiga and Degahbur driven initiatives. Improvement advisory skill of small business enterprises had value to increase the business sustainability and knowledge required skills, as the above the regression model shows that advisory services to business increase the growth of small business enterprises, then as revealed that every addition of advisory service to small business would change 0.134 units to the growing small business enterprises in Jijiga and Degahbur cities which indicates that it is statistically significant at 0.020 which is lower than 0.05. Advisory services have a huge influence on small business enterprises traders because they are advised on which actions would be strong or beneficial to their businesses thus enable sustainable growth of small businesses. This is supported in this study where all the respondents agreed that advisory services were beneficial in the growth of the businesses. According to have Business idea generation services had enabled the small business enterprises persons to come up with new business ideas that enabled them to improve their small business enterprises. As indicated the regression model of the above table shown that increase unit knowledge to the business idea would generate the increase the growth of small business enterprises by 0.401 which is statistically significant at 0.042 which is lower than 0.05.

independent variables were all significant at 5% significant level. From the above regression model, when combined independent variables assume and remain constant (zero value); the growth of small business enterprises would be equal to 13.841 in the total sales and capital.

This study furthermore sought to find out the number of businesses that stored savings and the according to the study all the respondents had kept savings. This data indicates that saving is very important to SBEs in Jijiga and Degahbur City administrations. According to concurs with Gardiol, (2004) that Savings is a critical service for entrepreneurs. The study also sought to establish the number of businesses that grew by saving and discovered that all the businesses grew by saving to fund their future operations. This data indicates that saving was

important in growing the businesses in Jijiga and Degahbur cities administrations and does not concur with a study by Bateman and Chang who critically examined evidence on saving with microfinance institutions in Croatia and found that savings were only useful in the maximization of profits for MFI managers and external shareholders. As indicated the above the above descriptive and regression analysis as increasing/additional unit in saving service of MFIs institution it would increase the growth of small business enterprise at a rate of 0.286 units which is statistically significant 0.000 which is less than 0.05. The ANOVA results indicated a p-value of 0.000 was less than 5%. This implied that the model developed was significant at 95% confidence level and hence could be used in prediction and decision making. This implied that the services obtained from microfinance all have a significant effect on the growth of SBEs. Therefore, rejecting the null hypothesis and do not reject the alternative hypothesis. To as answer the first research objective and research questions those microfinance services of saving had a great positive relationship on the growth of small business enterprises SMFIs in Jijiga and Degahbur cities administration clients. And to answer the second objective of this research saving had significant capacity and impacts to influence the SBEs the growth of total sales turn over. According to the study Banks were able to mobilize more savings than Microfinance Institutions. The findings further indicate the importance of saving to the SMEs with all the respondents acknowledging storing savings to fund their business growth, therefore, savings has a relationship with business growth.

The results on the above, microfinance insurance service by MFIs impacted on the growth of small business enterprises. The insurance again led to better usage of loan received from the MFIs as well as the increase in the amount of money saved with a mean of 0.609, therefore improvement in insurance would result a 0.609 increase in growth of small business enterprises keeping other variables constant with the statistically significant of 0.000 which is less than 0.05. This study is shown that the microfinance insurance service of the small business enterprise has a positive relationship to the growing small business

in Jijiga and degahbur cities administration. Therefore, as the regression coefficients insurance service of the SMFI incremental of small business growth which increases the total sales turnover of SBEs in 0.609 which indicates the statistically significant of 0.000 which is less than 0.05 then reject the null hypothesis and accept the alternative hypothesis. To as answer the first research objective and research questions those microfinance services of insurance had a great positive relationship on the growth of small business enterprises SMFIs in Jijiga and Degahbur cities administration clients. And to answer the second objective of this research insurance had significant capacity and impacts to influence the SBEs the annual growth of SBEs.

Training programs offered by MFIs and other intermediaries provided the small business enterprise persons with information on savings and deposits, loan acquisition and repayment process, business initiation and management skills and group formation and its importance. The information equips the business persons to make viable decisions concerning their businesses and end up increase investment. This is echoed by Kauffmann (2005) who posits that if the masses were enlightened on business management, it would definitely lead to increased investment in the business activities given the MFIs provided low-interest loans. The importance of the training programs is shown by the large number of respondents who would want the MFIs to continue their training programs in the region. The pieces of training again led to better usage of loan received from the MFIs as well as an increase in the amount of money saved. This shows that MFIs provide a good environment that allows its members to develop skills and talents as well as acquiring knowledge on the use of MFI products. The results showed that MFIs frequently organize pieces of training for its members and the customers attended the pieces of training. The results showed that MFIs frequently organize pieces of training for its members and the customers attended the pieces of training. Again such pieces of training enabled clients to save more than before received make an improvement in the growth of small business enterprises. According to Mungai B (2003), he found that his results were that business

management training had a positive effect on the entrepreneurs and as such, new products and services were introduced in the enterprise after the training. The businesses were also able to hire more employees after the training as compared to before the training. Therefore as indicated the regression model and training program would influence the growth of small business enterprises with increasing single training had an effect of 1.778 units in the growth of small business enterprises with statistically significance of 0.000 which is less than 0.05 and also The ANOVA results indicated a p-value of 0.000 was less than 5%. This implied that the model developed was significant at 95% confidence level and hence could be used in prediction and decision making. Therefore, reject the null hypothesis and accept alternative which means that the training program had a positive influence of the growth SBEs in jijiga and Degahbur cities administration.

To as answer the first research objective and research questions those microfinance services of training program had a great positive relationship on the growth of small business enterprises SMFIs in Jijiga and Degahbur cities administration clients. And to answer the second objective of this research training program had significant capacity and impacts to influence the SBEs the growth of total sales turn over. Small business enterprise clients needed advice on management of finances, venturing into new businesses, savings, securing loans and changing from one business to another. Most agreed to have benefited from the advisory services given by MFIs and other financial intermediaries. This study shows that MFIs and other players' interaction with small businesses on advisory services have an immense influence on small business traders because they are advised on which actions would be strong or beneficial to their businesses thus enable sustainable growth of small businesses. This is supported in this study where all the respondents agreed that advisory services were beneficial in the growth of the businesses. This shows that MFIs provide a good environment that allows its members to develop skills and talents as well as acquiring knowledge on the use of MFI services. Also, regression coefficients show that a then as revealed that every addition of advisory

service to small business would change 0.134 units to the growing small business enterprises in Jijiga and Degahbur cities which indicates that it is statistically significant at 0.020 which is lower than 0.05. And also The ANOVA results indicated a p-value of 0.000 was less than 5%. This implied that the model developed was significant at 95% confidence level and hence could be used in prediction and decision making. Therefore, reject the null hypothesis and accept alternative which means that advisory had a positive influence of the growth SBEs in jijiga and Degahbur cities administration. To as answer the first research objective and research questions those microfinance services of advisory had a great positive relationship on the growth of small business enterprises SMFIs in Jijiga and Degahbur cities administration clients. And to answer the second objective of this research advisory had significant capacity and impacts to influence the SBEs the growth of total sales turn over.

According to have Business idea generation services had enabled the small business enterprises persons to come up with new business ideas that enabled them to improve their small business enterprises. As indicated the regression model of the above table shown that increase unit knowledge to the business idea would generate the increase the growth of small business enterprises by 0.401 which is statistically significant at 0.042 which is lower than 0.05 and also the ANOVA results indicated a p-value of 0.000 was less than 5%. This implied that the model developed was significant at 95% confidence level and hence could be used in prediction and decision making. Therefore, reject the null hypothesis and accept alternative which means that Generating business idea had a positive influence of the growth SBEs in jijiga and Degahbur cities administration.

To as answer the first research objective and research questions those microfinance services of generating business ideas had a great positive relationship on the growth of small business enterprises SMFIs in Jijiga and Degahbur cities administration clients. And to answer the second objective of this research business idea generating had significant capacity and impacts

to influence the SBEs the growth of total sales turn over.

Business idea generation services had enabled the small scale business persons to come up with new business ideas that enabled them to improve their small scale businesses. Some had opened up multiple businesses that ran concurrently as well. All those who had sought business idea generation services from the MFIs and other providers approved that they had benefited on ideas of setting up viable business, dealing with clients well, suitably locating a business and proper handling of business affairs. The results agree with KIT and IIRR (2010) assertions cited in the literature review that views microfinance organization as an essential element in any country's financial system and the push to empower the small scale businesses in Kenya. This is because the masses will be able to generate the right business ideas in one way or another and empowers them leading to increased growth of small businesses after all.

Conclusion

The general conclusion comprise of the synthesis of results from the study untitled “The impact of microfinance institutions services to the growth of small business enterprises in Jijiga and Degahbur cities administration; case study of SMFIs”. The main objective of this study was to find out the impact of Microfinance Institutions services to the growth of Small Business Enterprises in Jijiga and Degahbur cities administration.

In the model summary Adjusted R squared is coefficient of determination which tells that the variation in the dependent variable due to changes in the independent variables, from the findings as shown in the table the value of adjusted R squared was 0.472 an indication that there was variation of 47.2% on the growth small business enterprises due to changes in Collateral, Loan interest, Insurance services, Business Idea Generating, Age Group, educational level, Saving service, Loan Term, Loan repayment, Loan Size, Training program, Advisory services provided by MFIs at 95% confidence interval. R is the correlation coefficient which shows the relationship between the study variables. From the findings shown in the table below there was a strong positive relationship between the study variables as shown by 0.718.

The study population consisted of small business enterprises who are SMFIs members in Jijiga and Degahbur cities and carrying out small business in the cities administration. Out of 154 sample size of the study 146 respondent were completed including 77 women equal to 52.7% and 69 men equal to 47.3%, ranged in four categories of age with majority comprised of 93(63.7%) whose age is between 31 and 40 years old. Regarding to the majority of educational level, 46.6% of the respondents studied secondary level, while 34.9% completed school primary.

After discussing with respondents about the involvement of microfinance institutions to the growth of small business enterprises in Jijiga and Degahbur and presenting the collected data in the form of description, percentages, statistical tables and frequency distribution, we discovered that the big number of the respondents confirmed that microfinance institution services had impact on the growth of small business enterprises in this two cities.

Regarding to impact of those services to the growth of their small businesses clients, the respondents revealed that all microfinance services from the Somali Microfinance Institution had make a payment to the growth of small business by increasing their total sales turnover and capital.

In line with the first specific objective that consisted of examining the relationship between microfinance services on the growth of Small Business Enterprises, the respondents made us to know that the indicators of business growth include: total sales turnover and capital. Therefore, this study revealed that all Microfinance services had significant impact on the growth of small business enterprises as indicted the ANOVA results indicated a p value of 0.000 was less than 5%. This implied that the model developed was significant at 95% confidence level and hence could be used in prediction of the variables are impacted the growth business clients.

Second specific objective of the study also revealed that microfinance services had positive impact capacity on the small business enterprises of sales turn over and capita.

However, there are some conditions that prevent the members from taking credit. Among those conditions, the most one is the requirement of collateral that is necessary on the wall of SMFIs for ensuring that microfinance institution that the client or member will not reject to pay back the loan, but

not easy to find for client, especially youth, women and poor who are ready to take credit for starting small businesses.

Finally the respondents gave their ideas on what can be completed for satisfactorily make use of the microfinance institution on behalf of growth of small business in Jijiga and Degahbur cities.

Recommendations

Based on the findings of the study, the following recommendations are proffered: Microfinance Financial institutions, particularly microfinance banks should be encouraged increasing their loans and training to SBEs workers. This can be achieved from side to side comforting the conditions of granting loan, flexible repayment period, reduction in the rate of interest and awareness through routine training and programs. SMFIs should establish relevant well adapted and appropriately structured financial institutions that which provided non-interest bearing banking services to people who believes that interest led transactions are prohibited based on their religious belief. Credits should be go with trainings and formation of people on basic management skills and providing additional advices for the correct utilization of credit. Arranging extra grassland visits to the people who established credit and avoid them from using credit in non intended ways.

Reference

1. AMIR (2010). Responding to Microfinance Needs: A Philosophical and Organizational Change. Annual report; Kigali: Rwanda.
2. Baloyi, J.K. (2010). An Analysis of Constraints Facing Smallholder Farmers in the Agribusiness Value Chain: A Case of Farmers in Limpopo Province, Unpublished. University of Pretoria, Pretoria.
3. Benson and Smith (1976). A transaction cost approach to theory of financial intermediate. American Finance association, Vol. 31, No. 2, (Stable URL: <http://www.jstor.org/stable/2326596>), 215-231.
4. Bryman A. & Bell E. (2007). The nature of quantitative research. In: Business Research Methods. New York. Oxford University Press. P. 154-177.
5. Copestake, G., Brody, A., & Greeley, M. (2000). *Money with a Mission: Microfinance and poverty reduction*, IDTG.
6. Churchill, C. (2011). Making microfinance work: Managing product diversification. Geneva: International Labor organization.
7. Cooper, D. R., & Schindler, P. S. (2003). Marketing Research. New Delhi: McGraw-Hill.
8. Creswell J. W. 2003. Research Design: Qualitative, Quantitative, and Mixed Methods Approaches (2nd edition). Thousand oaks, CA: Sage.
9. Daniel, N. Quaye. 2011. The effect of micro finance institutions on the growth of small and medium scale enterprises (SMEs); a case study of selected SMEs in the Kumasi metropolis. Accessed 30/01/2016.
10. Fitsum and Holden (2005) the Impact of Credit on Changes in Welfare of Rural Households: Empirical Evidence from Northern Ethiopia. Department of Economics and Social Science: Norway
11. Frankel, H., & Wallen, G. (2000). Researching and Writing Dissertation: A Guild Book for Business Students. England: Pearson Education Limited.
12. Germinis et al. (1991). Financial systems and development: What role for the formal and informal sector? OECD development centre, Paris).
13. Ghauri, Pervez & Gronhaug, Kjell. 2005. Research Methods in Business Studies. 3rd edition. Prentice Hall, London.
14. Ghauri, Pervez & Gronhaug, Kjell. 2010. Research Methods in Business Studies. 4th edition. Essex, England. Pearson Education Limited.
15. Government of Kenya (GOK), (1997). Micro and Small Enterprises Training and Technology Project. Government final report on Jua Kali upgrading needs phase 1. Nairobi: Netcom Information Systems Ltd.
16. Hair, J. F., Wolnbarger, M. F., Ortinau, D. J., and Bush, R. P. (2010). Essentials of Marketing Research (2nd ed.). McGraw-Hill/Irwin.
17. Hisrich, R.D, Peters, P.M and Shepherd, D.A (2010). Entrepreneurship. 6th Edt. Tata New Delhi. McGraw Hill.
18. Hogarth, S. S., Orser, B. J., and Riding, A.L., (2000). "Performance, firms size and Management problem solving (x)". Journal of small Business Management Vol.38. No.4
19. Hox, J.J. & Boeije, H.R. 2005. Data collection, primary versus secondary. Encyclopedia of social measurement, pp. 593 -59.

20. Jameson, S. (2000), Recruitment and training in small firm, *Journal of European Industrial Training*, Vol.24 (1).
21. John A, H. T. (2007). *Research Methods for graduate Business and Social Science students*. New Delhi, India: Published by Vivek Mehra for Response Books, typeset in 10/12 pt Times New Roman by Star Compugraphics.
22. Karim, N. et al (2008). Islamic microfinance: an emerging market niche. Focus note49, CGAP, Washington, DC.
23. Kauffmann Celine (2005), "Financing Small and Medium Enterprises in Africa". Policy Insight No. 7 African economic outlook.
24. Kothari, C.R., *Methodology. Methods and Techniques*, New Age International 2nd end (2006), New Age International(P) Ltd Publishers, New Delhi.
25. Kumekpor, J. (2002). *Business Research: A Practical Guide for Undergraduate and Postgraduate Students*. London, Macmillan.
26. Ledgerwood, J. (1998). *Microfinance Handbook: An Institutional and Financial Perspective* Washington: World Bank.
27. Ledgerwood J. (1999) *Sustainable Banking with the Poor: Microfinance Handbook, The Institutional and Financial Perspective*. The World Bank: Washington D.C.
28. Levy, A., Margi, P. and Philip, T. (2005) *strategies for growth in SMEs: The Role of Information and Information Systems*. DP Publications Ltd.
29. Logemann, J. (2012). *The Development of Consumer Credit in Global Perspective: Business, Regulation, and Culture* (New York: Palgrave Macmillan), ISBN 978-0-230-34105-0.
30. Mambula, C. (2002), Perceptions of SME Growth Constraints in Nigeria, *Journal of Small Business Management*, Vol. 40 No.1.
31. Maragia, I. (2008). Factors that determine entrepreneurial behavior in Micro and Small Enterprises (MSEs) in Kenya. Nairobi: Haile Selassie Avenue.
32. Meehan F. (1999) *Microfinance in Rural Development: The Impact of Credit Provision by the Dedebit Savings and Credit Institution on Economic Activity and Household Income in Tigray* M.Sc. Thesis: Ethiopia.
33. McCormick, D and Pedersen, P.O. (1996). *Small Enterprise Flexibility and Networking in Africa Context*. Nairobi: Longhorn Kenya Ltd.
34. MINECOFIN: Republic of Rwanda (2008). *National Savings Mobilization Strategy Financial Sector*, development Secretariat Ministry of Finance and Economic Planning. Rwanda: Kigali.
35. Murekezi, F. et al (2007). Extending the outreach of Rwandan Peoples' Banks to the rural poor through village savings and credit associations. Rwanda people's Banks: FAO-AFRICA-RWANDA.
36. Mungai b (2012).The relationship between business management training and small and medium-sized enterprises' growth in Kenya.Nairobi Kenya
37. MulugetaE, (2008). *Underlying Causes of Micro and Small Business Failures in Addis Ketema Sub City:A Case Study*. Addis Ababa.
38. MulukenAlemayehu (MPM) andMesfin Lemma (PhD) *Assessment of Factors Affecting the Performance of Microfinance Institutions: The Case of Hawassa City*
39. Nkonoki, E., (2010); *What Are the Factors Limiting the Success and/or Growth of Small Businesses in Tanzania? – An Empirical Study on Small Business Growth*, Helsinki.
40. Olivares, M. & Santos, S. (2009). *Market Solutions in Poverty: The Role of Microcredit in Development Countries with Financial Restrictions* School of Economics and Management Technical University of Lisbon.
41. Olowe F.T, Moradeyo O.A and BabalolaO.A(2013)*Empirical Study of the Impact of Microfinance Bank on Small and Medium Growth in Nigeria. International Journal of Academic Research in Economics and Management Sciences November 2013, Vol. 2, No. 6 ISSN: 2226-3624*
42. Ong'ayo Milcah, M. M. (2002). An evaluation ofmicrofinance programmes in Kenya as supportedthrough the dutch Co-finance programme. Research Gate www.researchgate.net.
43. Rhyne, E. (2001). *Mainstreaming microfinance: How lending to the poor began, grew and came of age*. Bolivia: Kumarian Press).
44. Saunders M., Lewis P. &Thornhill A. 2009. *Research Methods for Business Students*. 5th Edition.
45. SEEP Network (2000) *Learning from Clients Assessment for Microfinance Practitioners (draft Manual)* USAID: Washington D.C.

46. Sethuraman, S. V. (1997) *Urban Poverty and the Informal Sector: A Critical Assessment of Current Strategies* Geneva, International Labor Office, Geneva.
47. Stokes, D. and Wilson, N. (2006). *Small Business Management and Entrepreneurship*. South-Western Cengage Learning: DP Publications Ltd.
48. Wolday A.(2000). *Microfinance and Poverty Reduction in Ethiopia*, Addis Ababa, Ethiopia.
49. WoldayAmha (2003) *Microfinance in Ethiopia: Performance, Challenges and Role inPoverty Reduction*. Occasional Paper No. 7 Association of Ethiopian MicrofinanceInstitutions: Addis Ababa
50. Yunus, Mohammad (2003), "Banker to the Poor: Micro-Lending and the Battle against World Poverty". Alan Jolis, New York.
51. Yunus, M. (2007). *Creating a world without poverty. Social business and the future ofcapitalism*.Public Affairs, New York.
52. Zikmund, W.G., Babin, J. carr, J. & Griffin, M. (2012). *Business Research Methods*. Qualtrics printed Access Card Cengage Learning.

Acknowledgment

I would like to express my gratefulness to Dr. Degafe for his continues support and guidance. I would also like to thank Somali Microfinance institution Jijiga Branch and Degahbur branch managers for their support of collecting and giving information regarding small business enterprises which are registered in both branches.

Conflict of Interest

The author declares that he has no competing interest.