Where;
a = constant
x_1 = structure related firm characteristics
x_2 = market related firm characteristics
x_3 = capital related firm characteristics
b_1 - b_3 = regression coefficients
e = error term

4. Results and Discussion

Table 4.1: Structure related firm characteristics in percentages

No. of Branches	Less than 5 26.7	Btwn 5-10 6.7	Btwn 11-20 13.3	Btwn 21-30 26.7	Above 30 26.7
Networth of the firm '000 000'	Below 5 0.0	5 to 10 13.3	Btwn 10-15 0.0	Btwn 15-20 0.0	Over 20 86.7
Average Loan Size '000'	Below 20 0.0	20-40 26.7	40-60 33.3	60-80 20.0	Above 80 20.0
No of employees	Below 100 40.0	100-200 20.0	100-300 0.0	300-400 6.7	Above 400 33.3
Years MFI has been in operation	Below 10 yrs 46.7	10-20 Yrs 33.3	21-30 Yrs 13.3	31-40 Yrs 0.0	Above 41 Yrs 6.7
No of CEOs the firm has had since inception	Less than 2 37.8	Btwn 2-4 48.9	Btwn 5-7 13.3	Btwn 8-10 0.0	Above 10 0.0
The MFI's legal structure	NGOs 0.0	Cooperatives 0.0	Credit Unions 6.7	Non bank 40.0	Banks 53.3
CEOs tenure in office(yrs)	Below 2 13.3	Btwn 2-4 26.7	Btwn 4-6 20.0	Btwn 6-8 33.3	Above 8 6.7
% of manag't board comprising professionals	Below 20 0.0	Btwn 20-40 0.0	40-60 6.7	60-80 0.0	Above 80 93.3

Source-research results (2013)

According to table 4.1 over 50% of the MFIs have more than 50 branches of which 27% have over 30 branches. None of the MFIs has a net worth below 5 million. Most MFIs have a net worth of over 20 million which is a massive 86%. Table 4.1 illustrates that none of the MFIs awards loans below 20 thousand. Moreover there are 20% of the MFIs who award loans above 80 thousand. On average most MFIs give loans between 40-60 thousands (33%). Most of the MFI (40%) have below 100 employees. Further 33% of the MFIs, have over 400 employees.

Table 4.1 shows that only 7% of the MFIs have operated for over 40years with none having operated between 31 and 40 years. Most of the MFIs (47%) have operated for less than 10 years. Most of the MFIs (49%) have had between 3 and 6 CEOs since inception. Further there is no microfinance that has had more than 9 CEOs. Majority of the MFIs (33%) have the C.EO.s tenure running between 6-8years. The management board of the MFIs (93%) comprises of over 80% professionals. There is no MFI having below 40% professionals in the management board.

It is evident from table 4.1 that most MFIs (53%) also operate as banks. However none of the microfinances operates as a cooperative or an NGO. Majority of the microfinances are locally fully owned (93%) while a few have majority local shareholders (7%). However none has equal foreign and local ownership or majority foreign ownership.

Data on market related firm characteristics was analyzed using percentages. This is summarized in table 4.2.

4.1 Firm Characteristics

Information about firm characteristics was collected. Data was analyzed using percentages and then presented in tables. Data on structure related firm characteristics was analyzed in percentages and the results are presented in table 4.1 below.

Table 4.2: Market related firm characteristics in percentages

	Not at all	Little extent	Moderate extent	Great extent	V great extent
Reliance on single product for profitability	60.0	26.7	0.0	6.7	6.7
Firm's involvement in other business	20.0	40.0	20.0	6.7	13.3
Whether firm collaborate with other MFIs	13.3	46.7	13.3	13.3	13.3
Firm's intention to introduce new products	0.0	0.0	0.0	6.7	93.3
Firm's intention to expand to other regions	0.0	0.0	0.0	6.7	93.3

Source-research results (2013)

According to table 4.2, most of the MFIs have more than 8 different products of which they have minimal reliance on a single product for profitability. MFIs in a little extent do engage in other business (40%). In a little extent MFIs do collaborate amongst themselves. MFIs have very great intentions of introducing new products (93%) as much they would like to expand to other regions.

Majority of the loans are funded by 20-40% of the savings. However, only 7% of the loans are funded by over 60% of the savings. Savings are sometimes used as a requirement for borrowing. However this may rarely be used by other MFIs. An enormous 60% of the outstanding loans are accounted by below 20% of the forced savings. Moreover no outstanding loan is accounted for by over 60% of forced savings. Most MFIs offer a minimum loan of between 5 and 10 thousand representing 87%. There is no MFI that offers a minimum loan below 5 thousand. In addition, 13% offer minimum loans of above 20 thousand.

Data on capital related firm characteristics was analyzed using percentages. This is summarized in table 4.3

Table 4.3: Capital related firm characteristics in percentages

	Never	*Rarely*	*Sometimes*	*Often*	*Very often*
Access of financial support from the government or banks	0.0	6.7	20.0	46.7	26.7
Dependence on other fixed assets for financial stability	0.0	33.3	40.0	20.0	6.7

Source-research results (2013)

It is evident from table 4.3 that MFIs often get access to either government or banks for financial support. However there are no MFIs that do not get access to financial support. It is evident that MFIs cannot operate without the support of external sources for financial support. In addition they may sometimes rely on other fixed assets for financial stability. In this case it becomes necessary for MFIs to run other forms of business so as to supplement their capital base.

4.2 Organizational Performance

To establish the level of organizational performance of the microfinances, respondents were asked to indicate to what level the aspects of performance had changed in their organization in the last three years. Averages for each item were calculated and then analyzed using percentages as presented in table 4.4

Table 4.4: Performance level of MFIs

	Very much decreased (%)	Moderately decreased (%)	Not changed (%)	Moderately increased (%)	Very much increased (%)
Changes in branch network	0.0	0.0	6.7	60.0	33.3
Changes in number of clients	6.7	0.0	0.0	40.0	53.3
Changes in loans recovered	0.0	6.7	13.3	73.3	6.7
Changes in loans volume	6.7	0.0	0.0	46.7	46.7
Changes in funding from donors	20.0	13.3	20.0	33.3	13.3
Changes in financial surplus	0.0	6.7	20.0	46.7	26.7
Changes in the firm's assets	0.0	6.7	6.7	66.7	20.0
Anticipation of funding short fall	77.8	2.2	0.0	6.7	13.3
Changes in the firm's liquidity crisis	86.7	0.0	0.0	13.3	0.0
Firm experienced positive cash flow	6.7	0.0	6.7	40.0	46.7
loan processing period	6.7	0.0	0.0	20.0	73.3

Source-research results (2013)

From table 4.4, loans volumes have moderately and very much increased for most MFIs giving an average of 46% in each case. Loans recovered for most of the MFIs have moderately increased (73%). Funding from donors seems inconsistent with no major dominant trend in change though it seems to have moderately increased. The client level has very much increased (53.3%) for most microfinances with few having moderately increased. Financial surplus have moderately increased (46.7%) for the MFIs with others having very much increased. Table 4.4 indicates that MFIs have very much increased in improving loan processing period. The microfinances have moderately increased in opening up new branches as well as acquiring assets. There is very much decrease in anticipation of funding shortfall and changes in liquidity crisis. These firms have also enjoyed improved positive cash flow with 47% of them having very much increased not forgetting the 40% that have moderately increased.

4.3 Firm Characteristic and Organizational Performance

The study examined the relationship between the aspects of firm characteristics and organizational performance. This was determined using Pearson product moment correlation. Each category was correlated with organizational performance. This is summarized in the correlation matrix presented in table 4.5.

Table 4.5: Correlation matrix of Firm Characteristic and Performance

		structure related	market related	capital related	organizational performance
structure related	Pearson Correlation	1	-.292	-.443**	.425**
	Sig. (2-tailed)		.052	.002	.004
	N	45	45	45	45
market related	Pearson Correlation	-.292	1	.530**	.328*
	Sig. (2-tailed)	.052		.000	.028
	N	45	45	45	45
capital related	Pearson Correlation	-.443**	.530**	1	.073
	Sig. (2-tailed)	.002	.000		.035
	N	45	45	45	45
organizational performance	Pearson Correlation	.425**	.328*	.073	1
	Sig. (2-tailed)	.004	.028	.035	
	N	45	45	45	45

*. Correlation is significant at the 0.05 level (2-tailed).
Research results (2013)

From table 4.5, the structure related firm characteristics have an r-value of .425 indicating a moderate relationship between structure related firm characteristic and organizational performance. Moreover this relationship is positive. The p value (.004) is below .05 thus we reject the null hypothesis and conclude that there is sufficient evidence, at 5% level of significance, that there is moderate positive relationship between structure related firm characteristics and organizational performance of MFIs. On the basis of these statistical findings it was found that structure related firm characteristics had significant positive effect on organizational performance of MFIs. The results are consistent with studies conducted by Usman and Zahid (2011) who found that there was positive relationship between structure-related firm characteristics and performance.

The table further reveals that market-related firm characteristics with r-value of .328 indicating moderate relationship between market-related firm characteristics and organizational performance. Moreover this relationship is positive. The p value (.028) is below .05 thus we reject the null hypothesis and conclude that there is sufficient evidence, at 5% level of significance, that there is moderate positive relationship between market related firm characteristics and organizational performance of MFIs. On the basis of these statistical findings it was found that market related firm characteristics have significant positive effect on organizational performance of MFIs. The results support earlier findings by Usman and Zahid (2011), and Daft (1995) who found that there was positive relationship between market related firm characteristics and organizational performance.

Finally the table shows that capital-related firm characteristics have an r-value of .073 suggesting a weak relationship between capital-related firm characteristics and organizational performance. However this relationship is positive. The p value (.035) is below .05 thus we reject the null hypothesis and conclude that there is sufficient evidence, at 5% level of significance, that there is weak positive relationship between capital related firm characteristics and organizational performance of MFIs. On the basis of these statistical findings it was found that capital related firm characteristics have significant positive effect on organizational performance of MFIs. The findings are consistent with earlier works by McMahon (2001) Kristiansen et.al (2003) who found the existence of a positive relationship between capital related firm characteristics and organizational performance.

Hypothesis states that a joint relationship exists between the combined aspects of firm characteristics and performance of the microfinances. The p values (0.004, 0.028, and 0.035) for structure-related, market-related and capital-related characteristics respectively are below .05 thus we reject the null hypothesis and conclude that there is sufficient evidence, at 5% level of significance, that there is joint positive relationship between the three aspects of firm characteristics and organizational performance of the sector. These results support researches done earlier by Daft (1995), McMahon (2001) and Kristiansen et.al (2003) who viewed firm characteristics to comprise the basis of determinants of organizational performance.

4.4 Effect of Firm Characteristics on Organizational Performance

The study examined the effect of firm characteristics on organizational performance of microfinance institutions. Regression analysis was conducted between the independent variables and dependent variables in the study. The result of the regression analysis is presented in table 4.6 and table 4.7.

The model summary in table 4.6 reveal a moderate relationship between firm characteristics and organizational performance of microfinances($R = 0.541$). The coefficient of determination (R^2) is 0.293 indicates 29.3% variation in organizational performance is explained by firm characteristics.

Table 4.6: Model Summary

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	.541[a]	0.293	0.241	0.3476
a. Predictors: (Constant), capital related, structure related, market related				

Table 4.7: Full Regression Model

	Model	Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	3.72	0.698		5.326	0
	structure related	0.314	0.1	0.463	3.155	0.003
	market related	0.454	0.193	0.365	2.353	0.024
	capital related	0.166	0.084	0.326	1.97	0.056
a. Dependent Variable: organizational performance						

From the full regression model in table 4.10, we obtain the regression equation. Using the unstandardized beta coefficients, the following regression equation was developed.

$Y = 3.72 + 0.31X_1 + 0.45X_2 + 0.17X_3 + \mathcal{E}$

On the basis of the beta and significance values, firm characteristics namely; structure related ($\beta = 0.314$, $P = 0.003$), market related ($\beta = 0.454$, $P = 0.024$), capital related ($\beta = 0.166$, $P = 0.046$) were found to significantly influence performance of microfinances. This means that the three independent variables contributed significantly to the model and thus the alternative hypothesis that firm characteristics have significant influence on performance of the MFIs in Nakuru was accepted. From the analysis, it is noted that a unit change in structure related firm characteristics had greatest impact on performance of the MFIs while capital related firm characteristics had the least.

These results are consistent with researches done earlier by Usman and Zahid (2011), McMahon (2001) and Kristiansen et.al (2003) who viewed firm characteristics to comprise the basis of determinants of organizational performance. This view proposes that the three aspects of firm characteristics complementary in the sense that they jointly influence performance level of microfinances.

5. Conclusion

All the dimensions of firm characteristics have effect on a firm's performance. Structure-related firm characteristics have a moderate positive effect on organizational performance. Market-related firm characteristics have a moderate positive effect on organizational performance. Capital-related firm characteristics have a weak positive effect on organizational performance. The general finding of the study is that the three categories of firm characteristics have a joint positive effect on organizational performance. From the finding, among the three dimensions of firm characteristics structure based characteristics seem to have the highest effect on organizational performance while capital related firm characteristics have the least effect on organizational performance.

The size and age of microfinances have a positive relationship with their performance. Microfinances that practice market oriented and diversification strategies are seen to be better performers than those who practice contrary. Microfinances with high capital structure are excellent performers in the industry.The study therefore provides a solution to our problem which sought to determine the effect of firm characteristics on organizational performance. From the results we conclude that firm characteristics account for 29.3% variation in organizational performance of MFIs. This gives room for further studies to establish other casual relationships. The other remaining percentage could be explained by factors that are of out of scope of this study. Conclusively, the result of the study shows that firm characteristics have a significant effect on organizational performance of microfinances. Therefore there should be a continuous effort by microfinance stakeholders to enhance awareness and prosperity of firm characteristics. MFIs should bear in mind that firms collapse, as a result of poor management of resources i.e. firm characteristics. Further enlargement of the scope of study to a larger geographical area would also have a significant increment to the value of this research.

The researcher recommends that similar or related studies should be conducted in other sectors to compare how firm characteristics are key drivers of organizational performance. A study to evaluate firm characteristics as a direct impact of organizational performance should be undertaken in both public and private sectors. Therefore more research should be conducted to clearly present characteristics that determine the performance of organizations.

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