

Conceptualizing Microfinance Services, Government Regulation and Performance in the Context of Coffee Entrepreneurs: A Theoretical Review

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Abstract

Microfinance is a poverty reduction gadget since it offers financial assistance to those in need and therefore it is a game plan for uplifting small and medium enterprises. While it has been studied widely in the context of small and medium enterprises, little literature reflects coffee entrepreneurs. This paper, therefore, shows a review of existing theoretical and empirical literature on constructs of microfinance services, government regulations and performance in the context of coffee entrepreneurs. The specific objectives of the study were to discuss the key constructs, establish theories that link these constructs and then recommend a conceptual framework which guides future studies on the highlighted knowledge gaps. The study was anchored on resource-based view supported by, Harrod-Domar model, poverty alleviation and diffusion of innovation theories. The study was a desktop review, and the scores show that studies focused on a direct relationship between microfinance services and small and medium enterprises but did not incorporate coffee entrepreneurs and the moderating effect of government governments. It is therefore recommended that further research should include the context of coffee entrepreneurs to show the effects of microfinance on these entrepreneurs and the moderating variable of government regulations.

Keywords: Coffee entrepreneurs, government regulations, microfinance services, performance, RBV Resource Based View, DC Dynamic capability

1. Introduction

Coffee entrepreneurs produce coffee and it's the main export in the coffee growing countries like Uganda, Ethiopia, Brazil and Vietnam among others and therefore these entrepreneurs are imperative in the economic and social activities of these countries (Sebikari, 2014). Besides driving growth, they account for a large share of rural jobs and wealth creation thus reducing on unemployment, poverty reduction and income inequality. However, despite their contribution to economic development, coffee entrepreneurs' performance is still unsatisfying (TechnoServe, 2018). They encounter problems ranging from production to marketing, and these include limited finances, costly production inputs that hinder their production capacity as well as viable investments on their farms (Omer et al., 2016). Overcoming these problems requires a strong microfinance sector so as to uplift the performance of coffee entrepreneurs. This sector provides a variety of cheap services like microloans or credit with no collateral security, farm inputs, saving mobilization and financial education to entrepreneurs who are ignored by the big financial institutions (Bruton et al., 2008). The industry has rapidly grown ever since Muhammad Yunus and Grameen Bank received Nobel Peace Prize in 2006, with microfinance institutions increasing by 20 percent per annum in recent years. However, in spite of the progress, it's not yet clear whether the investments made are obtaining the major goal of enabling the rural entrepreneurs to establish or enlarge their businesses (Newman et al., 2017).

According to Hidalgo-Celarie et al (2005), microfinance is perceived as a poverty reduction gadget since it has provided financial assistance to those in need making it a good initiative and strategy for uplifting the performance of rural entrepreneurs. By providing unsecured microcredit advances generally to the impoverished communities, microfinance has enhanced the growth and expansion of the entrepreneurial activity which contributes to reduction of poverty (Bruton et al., 2011; Khavul et al., 2013). In Nigeria, rural entrepreneurs who

have utilized microfinance services have boosted their businesses and performance therefore microfinance sector has capacity to uplift micro enterprises for different entrepreneurs (Bruton et al., 2011).

1.1 Statement of the Problem

According to TechnoServe (2018) coffee is produced by coffee entrepreneurs, and it is a major export, source of foreign earnings to different coffee producing countries like Uganda, Brazil, Vietnam, and Ethiopia among and therefore its contribution towards social economic activities of these countries cannot be ignored. It is also a source of income to the 25 million families, offers both direct and indirect employment opportunities thus reducing on unemployment, poverty reduction and income inequality in coffee growing countries (Pohlan & Janssens, 2010). Despite their contribution, coffee entrepreneurs encounter several problems during production and marketing of their coffee which limits them from realizing their full potential, profits and this limits their production capacity as well as viable investments on their farms. Such problems include limited finances, costly production inputs (Omer et al., 2016). Several scholars have acknowledged that microfinance sector is a strong strategy that can uplift the performance of enterprises due to its cheap and convenient services. Amran & Mwasiaji, (2019) noted a positive link amidst microfinance services and performance of youth and women owned small-scale business enterprises in Nairobi City. Moreover, Haider et al., (2017) argued that microfinance services like financial trainings positively influenced the performance of SMEs because SMEs, who received these services, realized an increase in their sales, business assets and number of employees. On contrary, a study by Wambui (2015) noted that SMEs in Kisumu never prioritized the microfinance services like savings although it had a relative effect on their business growth.

The literature above shows that microfinance services influence positively the performance of enterprises but mostly the studies concentrated on the performance of SMEs and overlooked microfinance services and performance of coffee entrepreneurs. It is therefore important to do more research to illustrate the link between microfinance services and performance of coffee entrepreneurs to bridge the gap by including government regulations as a moderator.

1.2 Objectives of the Study

- i. To discuss the key constructs of microfinance services, government regulations and performance in the context of coffee entrepreneurs
- ii. To establish theories that link microfinance services, government regulations and performance in the context of coffee entrepreneurs.
- iii. To recommend a conceptual framework that guides future studies on the highlighted knowledge gaps.

2. Literature Review

2.1 Theoretical Review

The study is anchored on four theories: Resource-Based View (RBV), Harrod-Domar model of growth, Poverty Alleviations Theory and Diffusion of Innovation Theory. The theories bring out the effect of microfinance services, government regulations on performance of smallholder coffee entrepreneurs.

2.1.1 Resource Based Theory

This theory was proposed by Edith Penrose, and it suggests that resources and capabilities are the major components of the firm. Capabilities are skills used by a firm in organizing and placing resources into productive use for example firm's structure, operations, which show how decisions are carried out. In this theory, a firm is seen as a collection of resources which can be turned into strengths or weakness of a firm by the management and these resources are essential for the growth of any organization. The theory is mainly based on four assumptions, and these include heterogeneous, immobile, inimitable, and non-substitutable. Heterogeneous is concerned with resources which differ from one organization to another.

Immobility emphasizes that resources do not move from one firm to another in the short run. Due to these situations, firms are not in position of copying resources; skills and capabilities utilized by their rivals and example of immobile resources are intangible resources. Resources must be valuable, hard to copy, non-imitable, and cannot be substitutable. Through utilizing resources with such characteristics, firms can obtain competitive advantage which is a good direction for survival. Resources and capabilities are viewed as key aspects when obtaining competitive advantage by firms (Bowman & Ambrosini, 2003).

Resources are also divided into financial, physical, technological, organizational capital, intellectual and human resources which allows enterprises to establish special values for their customers. Jones & Hill (2009) noted that resources are either tangible or intangible. Microfinance finance services like micro credit, financial trainings,

savings mobilization are viewed as internal business resources that coffee entrepreneurs easily utilize in their businesses and affect their performance and therefore RBV is relevant. The theory's contribution to the study is in anchoring the constructs of microfinance services as resources and performance.

2.1.2 Harrod-Domar Model of Growth

This is a Keynesian model of economic growth that is employed in development economics to offer description of the growth of the economy in regard to savings and capital and it was put forward by Harrod (1939) and Dolmar (1946). The assumption of this theory is to achieve growth, aggregate demand should increase simultaneously with the economy's output capacity. Investment will occur if an entrepreneur or small business owner wants to prosper and this idea relates to the micro finance services provided by MFIs to enhance investment.

The theory proposes that although efforts are rendered towards availing entrepreneurs with credit, the prosperity of their business is hindered by inappropriate government regulations and global economic performance. As the nation attains economic growth, the small entrepreneurs and other members perform well due to the availability of more business opportunities. The theory also believes that the services of the microfinance institutes such as savings mobilization, training, insurance, credit provision among others act as a powerful tool for increasing and boosting the productive capacity of the users.

Beck et al. (1999) noted that financial institutions aid in arranging capital that promotes growth. They continued to assert that if smaller firms have credit problems, they encounter slow rate compared to larger enterprises. The existence of microfinance institutions and efficient financial intermediation enhances economic growth of marginalized areas by directly financing productive activities (Bencivenga & Smith, 1991). Therefore, this theory is relevant because it shows the significances of micro finance services, effects of government regulations on SMEs.

2.1.3 Poverty Alleviation Theory

The idea of Micro financing came in to existence to avail credit to the rural population who are omitted by legal commercial institutions (Wahid, 1994). This theory bases on the concept of Grameen Bank. Grameen Banking system in Bangladesh involves availing credit to poor individuals according to their respective groups who do not have collateral security. For the rural population to prosper, urgent jobs should be created to the unemployed as well as underemployed labor force to enhance their productivity.

Therefore, creation of jobs should be done through developing and coming up with paying jobs (wage) or by encouraging self-employment activities other than farm activities and therefore growth of non -farm ventures. Creating jobs requires investments since investments bring more returns hence improving performance of the rural population.

According to Conning and Udry (2007), when entrepreneurs have access to financial sources, this has an impact on the entrepreneurial decisions made. Wahid (1994) proposes that income of poor ones from other sources is too low in that it's hard for them to produce viable surplus on their own. This pushes them to get credit from microfinance to collect and grow their own businesses and increase investments.

The supplement of financial training is seen as a vehicle for proper credit use and changing positively performance of entrepreneurs who enjoy credit services, it's a required condition to pass over different non-financial obstacles that beneficiaries encounter Khan & Rahaman, (2007) Microfinance services are invented to include different components of social intermediation for example technical assistance and group organization that increase economic awareness of borrower

This theory discusses the relevance of micro finance services for example financial capital which can be used in increasing investments and improving the decisions made by entrepreneurs. Financial training services are a vehicle for proper credit use and changing positively performance of entrepreneurs who enjoy credit services therefore the researcher finds it relevant for this study.

2.1.4 Diffusion of Innovation Theory

This theory was put forward by Rogers (1962) and according to him the theory explains how time passes, a new idea, technology and a product attains momentum and spreads through a given population for example smallholder coffee entrepreneurs. Rogers postulates that diffusion is like a procedure in which an innovation is spread or passed on amongst players or members of a given population over a certain period.

Additionally, the outcome of diffusion is that members in a population setting embrace latest ideas, technology, manners and product (Rogers, 1962). Adoption implies that a member starts doing things different from the

previous ones for example a coffee entrepreneur can start purchasing or borrowing fertilizers to apply to his coffee trees and this means he is using a new product he has not been using and performing new behavior of applying fertilizers. The answer to adoption is that entrepreneurs should consider the product or technology as latest then in this, diffusion can happen. Adopting an innovation does not happen at the same time in a population setting but it is a procedure where several members can embrace the innovation faster compared to the rest.

Rogers (1962) put forward four major components which inhibit the diffusion of a new idea and these include the change/ transformation, transmission channels, time and population setting. This procedure depends majorly on manpower and for transformation to self-sustain; it must be adopted comprehensively or extensively. He further characterized adopters as innovators, early adopters, early majority, late majority, and laggards.

In microfinance sector, diffusion theory describes the rate of adoption of latest and improved technologies, products, and services, among others. Different new products and services have been brought on the table by different MFIs and the current one now target the entrepreneurs in the agribusiness sector like coffee entrepreneurs where such entrepreneurs are adopting better agribusiness products and technology for example quality coffee seeds, fertilizers and services like financial trainings, savings micro credit among others. Rogers, (1983) and Muathe, (2010) suggested different natural traits of innovation which affect a person's conclusion to embrace or decline a transformation and these are relative advantages, similarity, complication and observability.

However, this theory presents criticisms for example it does not consider personal resources to embrace a new technology, it is more appropriate in embracing of behaviors instead of cessation of behaviors. This theory is appropriate to this study since it has been used successfully in the microfinance sector and many different products, services and technologies have been introduced and adopted by different entrepreneurs including coffee entrepreneurs to improve the performance of their coffee business.

2.2 Conceptual Review

This study is anchored on different constructs of performance, microfinance services, government regulations and coffee entrepreneurs. Therefore, this section is detailed with a review of the conceptual literature which provides an understanding of the characteristics of each the construct.

2.2.1 Performance

Entrepreneurs within the SME sector open up businesses when they have goals or objectives that they want to achieve at a given time interval and so, performance is vital since it shows them their positions at a given time frame (Yusuf, Gunasekaran & Dan, 2007). Performance is measured using two different measures that's to say financial and non-financial measures. Entrepreneurs can use these measures to find out the position of their entrepreneurial ventures. Profits, return on assets, revenues, turnover, returns on investment (ROI) returns on sales and returns on equity among others are examples of financial measures (Smith, Bracker & Miner, 1987; Duchesneau & Gartner, 1990)

Whereas issues related to customers' satisfaction and referral rates, number of employees, delivery time, waiting time, employees' turnover and market share growth rate among others are examples of non-financial measures. SMEs usually measure their performance using one measure and that financial, yet this has some short comings. To combat the problems related to the use of this measure, (Chong, 2008) argues that SMEs should adapt to the use of hybrid approach which employs both financial and non-financial measures to bring out scores for further actions. In addition, when adapting to hybrid approach, entrepreneurs should also use time-axis approach in measuring performance. This is because time-axis brings out the time whether short- or long-term period.

Birley and Westhead, (1990) noted that short-term and long-term measures indicate different aspects for example short-term measures are majorly financial and they are good at examining or evaluating enterprises that last for twelve months. Long term measures are mainly non-financial and are good at measuring or evaluating enterprises that will last for more than twelve months. Short-term/ financial measures like profitability show how the firm is performing currently and can't predict the long-term survival of the business while long term non-financial measure like number of employees, market share clearly predict the long term survival of the firm (Barney, 1997; Haber & Reichel, 2005)

According to Brush & Vanderwerf (1992), financial measures have various advantages for example they are objective, easy, simple to comprehend and compute but they have some short coming for example they are historical, inaccessible, inaccurate, and profits can easily be manipulated as well as miss interpreted. Non-financial measures should be employed by SMEs to supplement the financial measures because combining the two enables entrepreneurs to have good view of their business performance both in short and long term

aspects (Covin, 1989; Kunkel & Hofer, 1993)

2.2.2 Microfinance Services

Microfinance services are prepared and planned to reach excluded customers that cannot afford services from formal financial institutions therefore it reduces on poverty, improves people's standard of living, and it also helps the poor to become economic and self-sufficiency. Microfinance services have been used to assist different entrepreneurs in different areas and governments, international aid donors have subsidized credit to benefit these entrepreneurs in order to uplift their status in different developing countries (Miller & Toulouse, 1986)

Since the year 1997, researchers have recognized the importance of microfinance in the reduction of poverty and also helping the underprivileged to access different new markets and compete with the already established ones (Saab, 2015). Microfinance has really enhanced marginalized groups of people that are always excluded from the normal banking system to obtain micro credit to develop their microenterprises. The creation and establishment of Microfinance institutions is as a means to aid the poor to get loans and also carry out micro saving and it's highly being recognized as an important development measure to reduce poverty (Taiwo et al., 2016).

The potential and ability of microfinance services to decrease on poverty levels was acknowledged two decades ago and, in this case, less developed countries have observed a sudden increase of firms giving financial services to clients, for example micro loans, micro saving, among others. According to Robinson (1998), Microfinance is perceived as a development gadget that provide financial services which include smaller loans, micro savings, micro leasing and micro insurance among others to uplift those in need in their business operations. Microfinance services are also categorized into four namely, enterprise development, financial intermediation, social services, and social intermediation. Micro credits are important aspects of microfinance and are foundations of microfinance institutions (Alhassan et al., 2016).

Financing coffee entrepreneurs is not common in East Africa although the sector has a lot of contributions to these countries. Governments within East Africa have tried to come up with programs to avail credit to coffee entrepreneurs, but these programs have not worked or are unsuccessful, and financial institutions are reluctant in disbursing loans to these entrepreneurs due to risk involved in the agricultural sector. In this view, microfinance has come up as a nice remedy by availing financial services to many different coffee entrepreneurs that constitute the agricultural sectors in East Africa (Tiwari & Hamid, 2016). NGOs have really given a hand and assisted microfinance institutions in East Africa to give out financial services through both individual and group borrowing. In 2000s, Kenya, the United Republic of Tanzania and Uganda recognized microfinance as a good strategy for agricultural and rural development. Governments believe that the providing of microfinance services to rural entrepreneurs like coffee entrepreneurs can close the rural finance gap and aid the development of agribusiness sector in East Africa.

2.2.3 Government Regulation

Establishing a good business environment enables various sectors in the economy to succeed. Therefore, government regulations in all countries are vital in molding the nature of businesses because of their impacts on market prices, revenue, costs among others (Dethier, 2012). Government regulations include Taxes, employee wages, workplace safety, environmental protection, business regulations and licenses food establishments, professional licensing, trade associations, intellectual property, among others. Globally, governments actively influence the growth of sectors including microfinance sector through establishing regulations that govern the sector. Governments also provide grants to microfinance institutions like SACCOs or they borrow directly to different groups of people (World Bank, 2003). In Africa, Reille et al. (2009), did a study in sub-Saharan Africa and established that 49 of 52 countries which put in place regulations to govern the microfinance sector promoted the growth of the sector from 1990s up to now. Different countries in Africa have formed different authorities meant to guide the microfinance sector to keep boosting it. For example, In Kenya, commanding authorities such as Central Bank of Kenya are entitled with establishing good policies to govern as well as monitor the banking sector such that they perform effectively, maintain their financial stability among others (Musau et al., 2018). According to Obaji and Olugu (2014), government policies are important in enhancing and determining the success of entrepreneurial activities for example the good regulations the government of China passed enhanced it to experience speedy development in businesses

Marks et al (2015) concluded that government regulation policies such as taxation, license fees workplace safety, environmental protection are part of the important reasons of the limited development of the business sector and other sectors and without careful attention, such regulations can crush and destruct the small businesses operating within the economy. They continued to argue that the complicated tax system in France and Brazil is a great challenge for small businesses and these complications are in term of taxes and their requirements which

are unfeasible. Taxes usually imposed on SMEs reduce their profits and affects business growth. Taxes also have an impact on the production costs, distribution and selling costs and therefore cause an increase in the prices of goods and services which later affects the consumer's buying behavior (Tee et al., 2016). The tax policy currently is not stable, it is ever changing and therefore it becomes impossible for entrepreneurs to enjoy better profits. To have a good business climate, a simplified tax policy and administrative procedures must be in place. Tax system of small scale entrepreneurs should be revised while differentiating the revenue earnings; business location, causes of late tax payment and other tax obligations (Dolgih et al., 2015).

Countries with fewer regulations to obtaining licenses enjoy higher outputs thus growing on a higher speed compared to countries with more regulations. Complexity and costly business registration requirements limit entrepreneurs to operate their businesses legally and this limits their prosperity (Djankov et al., 2002). Bruhn (2008) concludes that promoting simple procedures of obtaining a license enhances more entry points for new business thus promoting entrepreneurial ventures which later increases employment opportunities in the economy. Klapper et al., (2006) noted that countries with lower barriers in obtaining and renewing license realize higher entry benefits than those with heavy barriers. Many requirements needed for registration increase costs which limit small scale entrepreneurs from running their business legally. They continue to argue procedures involved in obtaining the business license also depends on a country in that some countries have less, and others have more barriers.

2.2.4 Coffee Entrepreneurs

According to TechnoServe (2018), 152 million bags of coffee each weighing 60 kilograms were produced globally in 2016 by coffee entrepreneurs and these entrepreneurs are actively carrying out their production in more than 60 countries but mostly two-thirds of the total production is concentrated in four countries including Brazil, Vietnam, Colombia, and Indonesia. Coffee entrepreneurs encounter a number of challenges for example reduction in yields, unstable coffee prices, aging coffee entrepreneurs and lack of incentives for younger generations or youths to stay on coffee farms, increasing production costs, the effects of climate change on weather variability and crop diseases among others (Omer et al., 2016).

Due to these challenges, profits realized by coffee entrepreneurs are at risk in many producing countries and this threatens the livelihood of these entrepreneurs who are appropriately 25 million coffee entrepreneurs and 80% of these are smallholder entrepreneurs globally. These coffee entrepreneurs are not well organized in groups or cooperatives and they are struggling with imperfect value chain, inaccessibility to market information, and low bargaining power. These entrepreneurs get a sum which is below 10 percent of the final price of their products and this demotivates them from carrying out meaningful investments in their businesses hence limiting coffee productivity, income and performance of coffee entrepreneurs directly (DaMatta et al., 2007).

2.2.5 Microfinance Services and Performance

Microfinance has been studied widely and therefore perceived as a development gadget that provides financial services which include smaller loans, micro savings, micro leasing, micro insurance and money transfer among others to uplift those in need in their business operations (Robinson, 1998). Madafu (2015) noted that rural rice and maize entrepreneurs in Mvomero district Tanzania who received bank credit accepted that their farm output levels increased due to access to bank credit. The findings further indicated an increase in the production rate from 2.1 to 3.0 but this occurred after these entrepreneurs accessed micro credit from the program.

In conclusion, access to microcredit has been very effective more especially in improving the production and performance of farmers under the study since increase in income, land size, productivity, savings, and education for children has been observed. It is therefore important to note that micro financing plays an important role in uplifting smallholder farmers from poverty and improving their socio-economic wellbeing. In addition, Zhiri (2017) noted that savings are positively linked to business performance and therefore highly influence the level of doing business in Zaria metropolis. It therefore important that MFIs encourage small and medium enterprises to save since savings aid them during hard economic conditions.

Haider, Officer et al., (2017) argued that financial training has a positive impact on the performance of enterprises in Punjab, Pakistan. Owners of enterprises that received financial trainings observed an increase in their sales, level of income; business assets, number employees as well as meeting household expenses yet owners of enterprises that did not receive financial training did not observe any increase. This implies that the growth rates of enterprises who enjoyed financial trainings were better off compared to enterprises owners that have never been trained.

The empirical literature above shows a direct relationship between microfinance services and performance of

rural maize and rice entrepreneurs, small and medium enterprises. Performance is indicated in terms of increase in sales, income, farm yields or productivity and land size, among others. This study proposes that this direct link of microfinance services and performance should advance future studies in coffee entrepreneurs. This will add knowledge and a call into how coffee entrepreneurs use microfinance services to the next productivity. The research should be aimed at addressing the gap on growth of coffee entrepreneurs to promote economic development.

2.2.6 Microfinance Services, Government Regulation and Performance

In all countries, government regulations remodel the business climate through their impacts on profits, production costs and risks in different value chains (Dolgić et al., 2015). Inappropriate policies and regulations enhance and lead to distortions of market efficiency, increase costs of production and thus retarding the development and performance of sectors. Hubka & Zaidi, (2005) noted that government regulations indirectly affected the performance of MFIs in terms of coverage and operational self-sustainability. On contrary a study in Brazil conducted by (Serpa, 2008) indicated that policies adopted by Brazilian President made vital refinements in the total sum of institutions, clients and active loan portfolio volume.

In addition, (Reille et al., 2009) noted that in sub-Saharan Africa 49 of 52 countries that put in place regulations to govern the microfinance sector promoted the growth of the sector from 1990s up to now. However, on the other hand, (Marks et al., 2015) argued that the complicated tax system in France and Brazil is a great challenge for small businesses and these complications are in term of taxes and their requirements which are unfeasible. Bird et al (2011) noted that government programs and regulations in Thailand removed all private microfinance institutions and these limited entrepreneurs from accessing microfinance services.

Klapper et al (2006) assert that countries with lower barriers to paying license fees have higher entry benefits considered to others where barriers are high. Heavy barriers increase the costs of registration which hinders individuals more especially small-scale entrepreneurs from operating their business formally. They continue to assert that number of procedures involved in accessing the license depends on a country where some countries have heavy and others have lower barriers. Bruhn, (2008) concludes that promoting simple procedures of obtaining a license enhances more entry points for new business thus promoting entrepreneurial ventures which later increases employment opportunities in the economy.

Government regulations and microfinance services affect the performance of entrepreneurs and enterprises. The empirical literature indicates that inappropriate government regulations like heavy taxes, complicated system in business registration affect the normal operations and profits of entrepreneurs. Bird et al (2011) also concluded that government regulations removed all private microfinance institutions and these limited entrepreneurs from accessing microfinance services, hence affecting their performance. However, this contradicts with (Reille et al., 2009) findings which noted that in sub-Saharan Africa, 49 of 52 countries that put in place regulations to govern the microfinance sector promoted the growth of the sector from 1990s up to now. In this study, government regulations are introduced as moderating variable between microfinance services and performance. Future studies should be carried out to bring out this relationship more especially in the context of coffee entrepreneurs. The study further proposes a schematic diagram which shows the relationship between microfinance services, performance of coffee entrepreneurs and these are moderated by government regulations.

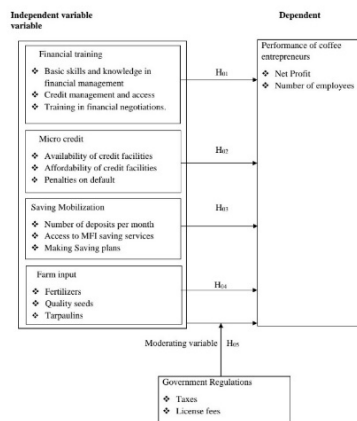


Figure 1: schematic diagram
Source: Authors (2020)

3. Issues arising from the Conceptual and Empirical Discussion

Empirical review shows that microfinance services are vital to small and medium enterprises although none of the study reflects how microfinance services affect coffee entrepreneurs. Moreover, the studies above show a direct and positive relationship between microfinance services and performance of small and medium enterprises. This study recommends further study on the effect of microfinance services and performance of coffee entrepreneurs. Performance should be measured by employing both financial and non-financial measures and this is called a hybrid approach which overcomes the shortcomings of using one measure. The study should include government regulation as a moderating variable and the purpose of this moderating variable is to establish the strength of the correlation or association amidst microfinance services and performance of coffee entrepreneurs.

3.1 Propositions

The proposed conceptual framework shows the study correlation amidst the constructs of microfinance services and performance of coffee entrepreneurs while featuring government regulations as a moderating variable. Microfinance is the independent variable while performance of coffee entrepreneurs is the dependent variable. The following hypothesis can be drawn from the conceptual framework.

H₀₁: Financial training has no significant effect on the performance of smallholder coffee entrepreneurs.

H₀₂: Micro credit has no significant effect on the performance of smallholder coffee entrepreneurs.

H₀₃: Saving mobilization has no significant effect on the performance of smallholder coffee entrepreneurs.

H₀₄: Farm Inputs have no significant effect on the performance of smallholder coffee entrepreneurs.

H₀₅: Government regulation have no significant moderating effect on the relationship between micro finance services and Performance of Small holder coffee entrepreneurs.

4. Proposed Methodology

This study used Secondary Data Review (SDR) since it involves comparing different kinds of data, synthesis and analysis building on different desk studies containing all important, valid, and accurate information found from different source for example the government, Non-Government Organizations, United Nations, World Bank, International Monetary Fund, social media among other others.

The use of this methodology has limitations for example secondary data may not be always reliable and exactly as per needs of the study to be undertaken, it is also dangerous and undesirable to depend on secondary data although this method can also be used to formulate and notify different sectors about field reports and it can be further updated frequently as more detailed data and information become available.

5. Conclusions and Direction for Future Research

From the reviewed literature, it was noted that microfinance services affect performance of small and medium enterprises so coffee entrepreneurs must focus more on accessing these services since those who access and obtain them improve their business performance compared to those who do not obtain these microfinance services. Hence more studies should show how microfinance services can help coffee entrepreneurs to improve their farm productivity and therefore improving their performance.

5.1 Limitations of the Study

This study has relied on only secondary data to bring out the relationship between microfinance services and performance of coffee entrepreneurs. At times secondary data is not accurate and reliable when making conclusions and may not match the needs of the study to be undertaken. For more reliable and accurate, further research can be conducted considering primary data to build more literature and add on the available existing literature.

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