

**FACTORS INFLUENCING PERORMANCE OF MICRO AND SMALL
ENTERPRISES IN KENYA A CASE OF KIAMBU COUNTY, KENYA**

BY

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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree of master of science in commerce (Finance and Accounting).

I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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ABSTRACT

Micro and Small Enterprises act as a primary driving force for economic growth in developing countries. Factor influencing the performance of Micro and Small Enterprises in Kenya are essential in improving the uptake of this venture. The study sought to establish factors that influence the performance of MSEs traders in Kiambu County. The objectives of the study was therefore to determine the influence of access to finance on performance, establish the influence of management skills on the performance, determine the influence of access to business information on performance and establish the influence of business regulation on the performance of micro and small enterprises. The study was based on credit rationing theory, resource based firm theory and opportunity based firm theory. The study employed descriptive research design to achieve the objectives. The target population under study was 4897 licensed MSEs in Kiambu County as per the Business Register 2018. Stratified random sampling was applied and Krejcie & Morgan (1997) formula was used to arrive at the sample size of 385 MSEs. The study utilized primary data and the data collection was conducted through self-administered questionnaires. A pilot test was conducted using forty questionnaires to ensure data validity and reliability. The data collected was analyzed using Statistical Package for Social Sciences (SPSS) version 20 software. Normality test was carried out to test for any outlier. The study also carried out Multicollinearity test to test for any correlation between variables. Regression coefficient was used to analyze the relationship between variables. To determine the number of dimensions required to represent set of variables factor analysis was conducted. The results of the study were presented in frequency and percentages. The study finding indicate that access to business information positively and significantly affect the performance of MSEs, Access to finance was found to positively and significantly affect the performance of MSEs, management skills and business regulation didn't significantly affect the performance of MSEs in Kiambu county. The study recommends that the Government should provide training and seminars to entrepreneurs regarding marketing strategy and how to be innovative and be provided with business information. The study recommends banks to improve on lending terms and condition to enable MSEs access to finance. The government should also ensure that the business regulation are not beyond entrepreneurs ability as well as offering basic entrepreneur skills which will enable entrepreneurs to be innovative and creative while making investment decision and enhance them to exploit the available business opportunities.

Keywords: Micro and Small Enterprises, Access to finance, Management skills, Business regulation, Access to business information and Business performance.

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DEDICATION

This research project is dedicated to all my family members and friends who have offered me a great support from the time i started. Thank you and May God bless you abundantly

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ACRONYMS AND ABBREVIATION

ILO	:	International Labour Organization
GDP	:	Gross Domestic Product
SME	:	Small and Medium Enterprises
NGO	:	Non Government Organization
KNBS	:	Kenya National Bureau of Statistics
MSEs	:	Micro and Small Enterprises
SSI	:	Supplementary Security Income
GEM	:	Global Entrepreneurship monitor
GOK	:	Government of Kenya
OECD	:	Organization for Economic Co-operation and Development
SBRT	:	Small Business Research Trust
USAID	:	United States Agency for International Development
IFC	:	International Finance Corporation
PSD	:	Private Sector Development
SDP	:	Structured Development Programs
SPSS	:	Statistical Package for Social Science
KMO	:	Kaiser-Meyer- Olkin
EFA	:	Exploratory Factor Analysis
PCA	:	Principal Component Analysis

OPERATIONAL DEFINATION OF TERMS

Small Enterprises: They are the business that has 10 to 50employee's and in terms of their sales they don't have high volume. Muturi (2015) on his study define micro and small enterprises as business in both formal and informal with one to fifty workers.

Business Performance-Business Performance is the result of activities of an organization or an investment over a given period of time (Investor words 2011). According to GEM (2004) business performance is the act of doing things using the knowledge and skills which has been achieved from various sources. Performance is also a measure of business success in achieving its goals (Mustafid 2014)

Access to Finance-Finance access is the ability of an enterprise, company or an individual to obtain loan from the bank or other financial lending institution (Osoro & Muturi 2013). It is an external financing provided by an institution or individual other than the actual owner of the business (Osano 2016)

Business regulation- They are set of laws established by the government in a given country to act as a guidance on all the requirement before starting a business, the regulation rule out the mandates, consequence, penalty and the action taken where entrepreneur fail to abide (Ong'olo &Awino2013).

Management skills: This involve having leadership skills in understanding, planning problem solving, applying the necessary technique in management, evaluating the employees and monitoring their performance (Kamunge 2014). According to Bennet (2012) management is supposed to ensure that the available resources are well utilized and there is enough human labour.

Access to business information: This refer to internal records, reference, search-engines, general survey, data or articles that a business can use to guide its planning, operations and the evaluation of its activities (Moyi 2003). Business information is a model that solve a problem of identifying who are the customer, what are the product and the marketing strategy (Haefliger 2013).

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Micro and Small Enterprises (MSEs) create employment and enhance economy growth and development (Economic survey 2006). Majority of households all over the world depend on small traders for livelihood and employment. MSEs assist in economic growth and development, they create employment, increase the per capital income and GDP in the developing countries (Khalique & Shaari 2011).MSEs has been identified as the springboard for sustainable enhancement to the growth and development of the economy (Osotimehin,Jegede, & Olajide 2012).Tata and Prasad (2012) on their study emphasizes that majority of the microenterprises are created by small traders over the world and acts as the cornerstone of economic development in developing countries as they provide a platform for the creation of jobs and economic growth while taking the humble tenets of the society into considerations. In most of the OECD countries MSEs consisted of the large part of the business and provide the large number of employment.

The United State Agency for International Development (USAID) 1990 stated that the informal sector act as training ground for trade skills and entrepreneurship. Most of the employees in this sector are young people and they leave the sector after learning enough to operate their own business. MSEs assist in creating employment, poverty reduction and in economic development (Mwania 2015).CeLiedholm & Donald Mead (2013) stated that MSEs provide employment and act as a source of income in most of the countries.MSEs assists the developing countries in industrial development as well as in economic growth. According to ILO (2008) micro and small enterprises have a significant role in nation development process as the small traders engage in entrepreneurship as an income generating activities. Further report note that Africa has the potential to support its entrepreneurs by defining the challenges

they are facing and seeking new ways to deal with challenges. MSEs complete the work of larger enterprises by bringing their product close to the final consumer in areas where larger enterprises are not able to reach them (Abuya 2010).

1.1.1 Micro and Small Enterprises

Countries define MSEs in different ways depending on the indicator that each country uses. Some countries define MSEs using the value of the asset the business has, the number of employees and the average turnover per year (Sitharam & Hoque 2016). Micro and small enterprises comprises of variety of undertaking and they are defined in different ways depending on the time period , the pattern and stage of development, the nature of their activities also vary (Muraguri 2010). MSEs cover different sector of economy either in agricultural produce, professional and technical services and in general trading. They are also categorized depending on the owner whether individual, partnership or a limited company (Ndungu 2016). A panel study of the US states between 1977 to 1997 as noted by (Deller & Mc Connon 2009) defined microenterprises as businesses with five or fewer employees and that the basis of micro-enterprising is for every individual in society to have a chance to utilize their talents and be innovative toward the available resource in order to create employment.

Countries understanding of microenterprises on the other hand vary from one to another and while the United States may have implemented the Supplemental Security Income (SSI) for funding microenterprises as noted by (Herd 2015) authors of the development countries seems to think otherwise. Shelton (2016) while studying how the perception of small traders concluded that many people will not afford to be employed by large corporations hence they start MSEs to get employment and at the same time stimulate economic growth. According to Muringani (2015) small enterprises form majority of business in many countries and they are highly innovative, contribute to economic growth and job creation. Shiralashetti (2012) on his study noted that MSEs constitute 90% of the total enterprises in most of the developing

countries. The ILO (2011) report established that Small enterprises with less than 10 workers contribute about 58% of employment in Paraguay 54% in Mexico and 53% in Bolivia.

Further Shelton (2016) assert that MSEs constitutes of small traders who start their business within the segment of the economy coupled with poverty noting that small traders do not go for micro-enterprises by choice and would be glad to take a factory job when the opportunity arises. Majority of the entrepreneur are first employed by large enterprises and after gaining experience and saving they start their own business. MSE therefore add value to the society and economy through creating jobs, enhance economic development, strengthening the purchasing power of the country as well as lowering costs (Ndungu 2016).

1.1.2 Micro and Small enterprise in Kenya and beyond

The regulatory and institution framework for Kenya define MSEs depending on the number of employees and the company annual income (MSEs Act 2012). In Kenya seasonal paper No. 2 of 2005 defines microenterprises as registered businesses with between one to ten employees and a turnover not exceeding Kenya Shillings one million. MSEs employ between one to fifty employee in informal sectors and they can also be categorized depending on the size and the sector in which the business operate as well as the net worth of the business (Mulugeta 2011).Gathenya, Bwisa and Kihoro (2011) noted that in Kenya even though the role that is played by entrepreneurs in business has been underestimated over the years it is now apparent that entrepreneurship and a cultivated culture in economic and social development contributes significant to the economy of the country. According to the economy survey (2003) the Government of Kenya (GOK) since president Kibaki come into power 2002 has made some effort to assist MSEs which was a government strategy to raise income and create employment. The Kenya economy document vision 2030 relies on the creative talent that can raise the country competitiveness.

Recent studies in Kenya shows that at least 70% of all informal enterprises are increasingly being recognized as the major sector that assist in the growth of the nation's economy (Mwobobia, 2012). Further Mwobobia partakes that despite MSEs enhancing economic development and solve the problem of unemployment as well as poverty reduction they face significant number of challenges in their performance which stems from lack of access to financial service and marketing. MSEs have been recognized as the major sector in Kenya that creates employment as well as enhancing the economy and poverty reduction by providing new jobs (economy survey 2006). The statistics indicated that most of the MSEs in Kenya operate just for the first few months after the formation due to the challenges encountered in operation (Kenya National Bureau of Statistics 2007). In Kenya most of the MSEs are owner managed and they are controlled and run as a family business (Karanja 2012). Majority of business in Kiambu County fall under MSEs category and they spread across the county most of them being a sole proprietorship.

Gathenya, Bwisa & Kihoro (2011) noted that access to finance, management skills, rules and regulations as the main challenge of focus as small enterprises are still not able to access the formal and informal financial support thereby suggesting that the factors contributing to access to credit and management skills by micro enterprises be studied extensively. On the other hand Mutuku (2009) places the number of microenterprises at 48 percent in 2004 and noted that this figure is increasing with time as financial access being made available by financial institution and providing training on entrepreneurship and financial management skills as well as risk management. The doing business report suggest that small business face an array of regulatory and institutional constraint hampering business activities (World Bank 2011a). Micro and Small enterprises provide a solution for unemployment by providing new jobs, and contribute on Gross Domestic Product (GDP) thus recognized as the drivers of social economic development and responsible for driving innovation and

competition in many economy sectors (Karadag 2015). The study seeks to determine the factors influencing the performance of MSEs in Kiambu County.

1.1.3 Business Performance

Performance of MSEs can only be identified when the business is able to achieve its goal in terms of increase in profit, provide sustainable employment, increase in stock and also the number of employees. The problem on how the goals should be established and accessed in terms of financial and non-financial measure still remain unresolved problem (Abera 2012). Honey and Doherty (2011) noted that in order for any development and good performance the enterprises owners need to have appropriate knowledge and management skill in marketing, financial recording and entrepreneur skills. Roxas, Chadee & Erwee (2012) on their study noted that micro enterprises in sub-Saharan Africa faces many challenges which stems from their religious believe, rules and regulation set up by the government, political issues and the surrounding environment's. They further noted that there is unfavorable working conditions and the regulation setup together with the systems in most African states place additional burdens and on micro enterprise owners who desire to become entrepreneurs and confirm that all these challenges lead to poor performance of micro enterprises.

Kinyua (2014) study on MSEs performance on Jua Kali sector revealed that majority of MSEs face challenges while accessing finance and also lack of management skill affect the performance of small and micro enterprises. He further concluded that the performance of a business also depend with the number of years the business is in operation, those in business for more years can do more better. Access to finance influence the performance of MSEs followed by management skills while the government regulation and policies has the least effect on the performance of MSEs (Mwangi 2013). Waweru (2012) on his study concluded that lack of access to external finance, lack of technical knowledge and inexperience in the

field of risk management and monitoring procedure, inadequate planning, poor recording keeping and lack of market research influence the performance of MSEs.

Micro and small enterprises has to comply with business regulation to ensure efficiency and effectiveness of business activities, Compliance with the applicable business law and also the tax planning (Mucui, Kinya and James 2014). Mbonyane & Ladzani (2011) on their finding concluded that performance of MSEs can be influenced due to lack of business information on how to access services from the supporting institution, lack of risk management skills to deal with the internal weakness and lack of knowledge on the rules and regulation to comply with as well as the business registration process.

1.2 Statement of the Problem

In most of the developing countries in Africa MSEs are crucial and they contribute in sustaining economic growth and industrial development. MSEs in Kenya despite being recognized as one of the major sector that enhance industrial development and economic development they have not performed credibly well hence their contribution has not been achieved (Economy Survey 2012). The business statistic in Kenya revealed that the rate of small business failure is high with only 3 out of 5 business surviving 5 months to one year after formation and those that survive 80% of them collapse before the fifth year (Kenya National Bureau of Statistic 2007). The government of Kenya session paper No 2 of 2005 on development of MSEs for employment creation provide a situation of MSEs and emphasis the need for enterprises to be supported as they contribute to economic growth and create employment. The Kenyan government on its Vision 2030 place MSEs development as one of the means of achieving the vision. According to Kithae (2012) MSEs in Kenya create 80% of employment while the sector contributes only 18% of the GDP of the country hence there is need of more support so as to enhance the performance of MSEs.

Micro and Small Enterprises contribute toward the economic development and their important cannot be underestimated on the other side the collapse ratio is very high in developed and developing countries (Khalique & Shaari 2011).The developing countries need to provide supporting services to MSEs so as to enhance the contribution they provide to the economy in terms of economic and industrial development (Adhiambo 2014).Despite all the efforts by the government MSEs face some challenges that influence their performance and diminish their contribution toward industrial and economy (Mutiria 2017).MSEs are mostly managed by the owners and the number of people living with poverty in developing countries has gone up especially with small traders who are the household provider (Annel Kimani 2011).Freedman (2001) pointed out that the impact of Micro-enterprises approach is combating poverty and employment which has been a subject of much study and speculation both in terms of amount of employment it can generate and its impact on economic growth.

Most of the MSEs operating in Africa face many challenges that hinder their performance and growth (Mihajlovic and Kume 2015).The performance of small business is continuously threatened due to competition, unfair distribution of resources and strict regulation implemented by the government (Sitharam & Hoque 2016).Despite the contribution of MSEs toward economy development being fully established MSEs encounter many challenges that affect their performance and development which include access to finance, management skills, access to business information, government policy and regulation (Kamunge 2014).Karadag (2015) research revealed that majority of small enterprises fail at their early stages due to poor financial management turning the dream of many entrepreneurs into a night mayor these is due to lack of management skills. International Finance Corporation 2011 (IFC) established the major challenges encountered by MSEs being lack of entrepreneurs skills and training, lack of finance and lack of market information.

Previous studies on factors affecting the performance has been done on specific areas and covered specific objectives and others considering only women owned enterprises. Mutiria (2017) study considered only access to finance factor but he didn't consider any other factor. Mwanja (2011) carried out a research at KCB Bank Ruiru branch to establish how the availability of loan influences the performance of Micro and Small enterprises. Mugo (2012) study dealt with factor influencing performance of female owned enterprises only and didn't consider male entrepreneurs. Kamunge (2014), Kinyua (2014) did a study on factors influencing the performance of small and micro enterprises on specific areas. Although several studies has been undertaken on MSEs performance in Kenya they have not focused on combination of factors that influence the performance of MSEs in Kiambu County being one of the most highly populated county in Kenya. The study therefore sought to fill the gap by exploring the factors that influence the performance of micro and small enterprises in Kenya, while focusing on Kiambu County.

1.3 Objectives of the study

1.3.1 Main Objective

To determine factors that influences the performance of micro and small enterprises in Kiambu County.

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1.3.2 Specific Objectives

- (i) To determine the influence of access to finance on the performance of micro and small enterprises in Kiambu county.
- (ii) To establish the influence of management skills on the performance of micro and small enterprises in Kiambu County.
- (iii) To establish the influence of business regulation on the performance of micro and small enterprises owners in Kiambu County.

- (iv) To determine the influence of access to business information on the performance of micro and small enterprises in Kiambu County.

1.4 Research Questions

- (i) How does access to finance influence the performance of micro and small enterprises in Kiambu County?
- (ii) How do Management skills influence the performance of micro and small enterprises in Kiambu County?
- (iii) How do business regulations influence the performance of micro and small enterprises in Kiambu County?
- (iv) How do access to business information influence the performance of micro and small enterprises in Kiambu County?

1.5 Justification of the Study

The main aim of the research was to explore the factors that influence the performance of micro and small enterprises. The justification of the research comes from the fact that there are many programs designed to assist micro enterprise but not much is disclosed on how they should access finance, because for many years they have not benefited from these programs. Most of the micro enterprise fails within the first few months of operation due to the challenges encountered in operation. Micro and Small enterprises provide employment to majority of the entrepreneur in Kenyan and most of the entrepreneur does the business for their survival. The contribution of micro-enterprise to the economy growth and development has been found to be important and access to finance, management skills, access to business information and business regulation seems to be a challenge to their survival. Therefore, the finding of the research would be of great help as the policy maker will gain insight on where to provide policy intervention.

1.6 Significance of the study

The finding of the study will be useful to stakeholder including

1.6.1 Government and Policy maker

The identify specific performance constrains will assist the government and Non-Government Organization (NGO) where they can use the finding in some policy formulation and development in critical area such as financing, marketing, business regulation and policy, financial management and record keeping. The finding will also assist the government in promoting growth and expansion of small enterprises by applying different policies and strategies. The finding will also assist the policy maker, donors and financial institution offering financial assistant to micro enterprises on how they can encourage and assist by financing and offering training on financial management.

1.6.2 Micro and Small Entrepreneurs

The finding will assist new and existing entrepreneurs in Kiambu County to know the constrains which include the access to finance, access to business information and business regulation that are likely to affect their business performance and how they can encounter them.

1.6.3 Academic and research

The study will also act as a spring board for future academic research on the factors influencing the performance and development of micro enterprises.

1.7 Scope of the Study

The study was concerned with factors influencing the performance of micro and small enterprises in Kiambu County. The paper thus sought to examine the constrains and barriers encountered by micro and small enterprises owner in Kiambu county. Kiambu county was chosen as being one of the highly populated county with different micro-enterprises including

Transport, Private education, Farm produce sellers, General traders, hotels and restaurants among others. The measure of the constraints was assumed “influence in the performance” as the only proxy. The paper therefore aims was to identify and explain factor influencing the performance of micro and small enterprises and the innovative measures that are taken by micro enterprise in the region to overcome the constraints and the understanding of which will inform recommendations for policy adjustment. Identifying the best way of lessening the constraints and apply the required measures.

1.8 Limitation of the study

The study was limited to factors influencing performance of various categories of micro and small enterprises in Kiambu County. Majority of the respondent were the owners of the business and they had the view that their business information is confidential hence they were reluctant to provide information. To handle the problem and ensure them that the research is for academic and will remain confidential the researcher had to carry the introduction letter from the University. The study had to cover Kiambu County which is too big with twelve Sub County and it took time to complete the research. Some of the respondent didn't bother with the questionnaire once issued with and the researcher had to make follow up reminding the respondent about filling the questionnaire so as to obtain the data.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter represents a review of different literature so as to be able to identify literature gap which the study attempt to fill. In this chapter the researcher mainly focuses on literature concerning what various researcher and author have said about factors influencing the performance of Micro and Small Enterprises. The area of study was the business performance, the effect of access to finance on small and micro enterprises, business regulation and management skills, record keeping, entrepreneurs skills and business information. The chapter dealt with theoretical literature review, empirical literature review and the conceptual framework of the study.

2.2 Theoretical Review

The section review various theory that relate to factor influencing the performance of MSEs. The theory help to understand the study as they form the frame work of the research. The theories discussed to support the study include Credit rationing theory, Resource based firm theory and opportunity based entrepreneur theory.

2.2.1 Credit Rationing Theory

Credit rationing theory is one of the theory that mainly focuses on the financing gap analysis among those issued with credit and those who are denied (Stiglitz & Weiss 1981). According to Werner (2015) credit rationing is a situation where by the commercial loan applied exceed the amount the bank can issue thus the demand for loan exceed the supply that the bank can issue. In their formulation Stiglitz & Weiss argued that information asymmetries are the main reason why MSEs has challenges toward access to finance. They argued that MSEs are mainly owned by the individual who has superior private information about their business performance financial status, their investment decision and their arrangement on how to pay debt. Hence the

bank manager can only make their decision under asymmetric information they receive from the owners and they end up operating in an adverse selection of risk. Kiliswa & Bayat (2014) concluded that financial institution encounter challenges while issuing credit as they operate under asymmetric information and they have to apply credit rationing by considering the collateral requirement, proper bookkeeping and appropriate compliance framework of the business. The collateral being the leading condition majority of the MSEs they end up not receiving loan since they cannot afford any security.

Gichuki (2014) on his study on factors influencing performance of MSEs concluded that MSEs are more likely to encounter information asymmetry problems where most of the MSEs provide limited information and they are not transparent when it come to disclose their assets and property information which is only associated with the founding entrepreneurs. Entrepreneurs may fail to disclose their business information because of the concern that other competitors may use the disclosed information to exploit them. Due to lack of management skill some MSEs lack proper financial record where the lending institution can refer to before they make their decision (Gatanga & Matavire 2013). The bank manager would like to see how much the owner has invested in the business including the profit that has not been withdrawn. Majority of MSEs they lack proper financial record and financial institution may fear to take the risk and issue loan without knowing the financial status of the business.

According to Shen & Zhang (2016) study on credit rationing they concluded that MSEs are owned by individual who might not be having collateral as security which might be risky to the bank in case of default hence they have to be rationed. Despite MSEs entrepreneurs willing to pay with high interest rate so as to compensate any additional risk the bank interest rate is fixed and they cannot keep on changing in order to meet the supply and demand of the customer. Where the loan applicant appears to be identical some will receive the loans and

others will not receive even if they offer to pay a higher interest rate. Access to finance by MSEs is mainly affected by credit rationing behavior from the leading institution mainly because they lack the collateral as the security, no proper financial records, lack entrepreneurs skills and information about the credit (Wangai2011).

2.2.2 Resource Based Firm Theory

According to resource based theory these may include employee level of education and the entrepreneurs knowledge and skills , well equipped asset and resources, availability of new and updated technological skills, business with a good reputation and having enough manpower (Barney 2011).He further defined resources into tangible asset which can be accounted for and intangible asset which include organization process ,routine, managerial capabilities and the information control measure that can be used by the firm to formulate strategies. According to resource based theory businesses that have enough resources they can do better than the business that don't have (Simpeh 2011). Strategic resources are the cornerstone of the business to gain competitive advantage and there by performing better than their competitors in the same sector (Mensah 2013). Where businesses is well equipped and keep on updating with the new technology and changes in its infrastructure facilities, environmental changes and business regulations these will enhance the performance of micro and small enterprises (Barney 2011).

Resource based theory can be categorized into Financial theory, social and human capital theory. The financial capital theory implies that the firm that have reliable source of finance they can be able to acquire any asset, skills in terms of training and any other resources that can enhance entrepreneur performance (Clausen 2011).The theory suggests there are different resources with different individuals that can facilitate business to recognizing and exploit any opportunity (Alvarez & Busenitz 2012).According to Andersen (2011) the social capital theory also know as social network theory suggest that an entrepreneur may be able to

identify an opportunity that exist and incase there is no social network he cannot utilize the opportunity and transform it into a business. Human capital theory includes the level of education attained and experience which depending on the number of years worked. For entrepreneur to be able to exploit any opportunity they need to have knowledge and experience which are major resources to enhance performance of the business (Anderson & Miller, 2012).

The resource based theory argues that availability of resources determines the performance of a business and in a perfect competition model the firm exists to combine resource to produce an end product (Alvarez & Busenitz 2012) According to the theory performance between different firms depend on significant measure of unique input and capabilities. The theories prescribe the firm resources as the main drives of firm performance and the resources need to be distributed across the firm. Each business possesses different resources and capabilities and the way the business acquires, maintain, apply and develop these resources leads to superior performance of the business. A firm performance can be associated with a collection of different resources where some are tangible resources and others are intangible (Caldeira, & Ward 2011). The intangible resources may include managerial capabilities, innovations and the firm reputation for its good or services and how they interact with other stakeholders (Kabede 2015).

2.2.3 Opportunity Based Entrepreneurship Theory

According to Opportunity Based Entrepreneurship Theory (Drucker 2014) concluded that entrepreneurs performance can be achieved by taking advantages of any possibilities created by change in technology, environment and any change in human demand and culture. Entrepreneurs will only exploit the opportunities that change may influence in technology, consumer preferences, regulations and infrastructure facilities but they don't cause change. The entrepreneurs are mainly concerned with any improvement created by change than the problem it might cause. According to (Alvarez 2013) study on entrepreneur opportunity and poverty

alleviation he concluded that performance of entrepreneurial mainly depend on ability to implement and manage any opportunity without regard to resources available and there is a specific purpose for every opportunity and in a given business. Opportunities are endless and life is a succession of opportunities and the opportunities that comes on a business way may determine the rate of its performance and progress (Dangote 2013). Nelson (2012) study on relationship between entrepreneur innovation and performance of MSEs observed that opportunity enables good performance in an organization and that one should always expect business opportunity.

Entrepreneurs are often enveloped with challenges and risk taking where they move from one business to another and one location to another as a result of opportunity identified (Tushman and Nelson 2011).Entrepreneur can easily exploit opportunities once they perceive that they have more knowledge of their customer demand, they have developed the necessary technologies, managerial capabilities and they have enough stakeholder support (Young & Shepherd 2014).Entrepreneur experience and knowledge can be demonstrated by linking it to exploration of more innovative opportunity with greater wealth potential. The ability to recognize opportunity is not shared equally among the individual and entrepreneur may update their knowledge through attending entrepreneur training, through networking. For professional service they can involve consultant or mentors to learn more about changes and where to get information about new technologies and any change in government policies and regulation (Ireland, Kistruck &Tihanyi 2011).

Entrepreneur uses different approach to identify and implement any opportunity which mainly depends on the availability of information and willingness of entrepreneur to take risk and act on that information (Karanja 2014). The discovery of entrepreneur opportunity depend on factors such as availability of infrastructure facilities, entrepreneur skills, risk management

skill and experience of the entrepreneur (Anderson & Miller 2012). The interaction of entrepreneurship and strategic planning enhance identification of opportunity and by the use of strategies entrepreneur will exploit the opportunity and deliver unique value to the customer and also to the product (Gathenya 2012)

2.3 Empirical Review

Micro and small enterprises can only survive when the factors that influence their performance are identified and well managed (Mabhungu & Van Der Poll 2017). Through literature review the study identified various factors that may influence the performance of micro and small enterprises (MSEs).

2.3.1 Access to finance and performance of MSEs

Lack of finance has been identified as constraints facing MSEs and a big challenge hindering their development and performance (Ndungu 2016). According to Popov and Udell (2012) financial theory dictates that there is a strong evidence that a firm access to credit is influenced by changes in financial conditions and further noted that the performance of the business will also be affected. In most cases the access to finance has been identified as a big challenge that affects the performance of small and micro enterprises (Tadesse 2014). Beck, Demirgüç-Kunt and Maksimovic (2011) while using a database of 74 countries on small, medium, and large enterprises firms, found that access to finance as one of the major problem to entrepreneurs involved in these businesses. Further they conclude that lack of access is facilitated by a majority of foreign banks practicing an inefficient credit registry and coupled with more restrictions on bank to MSE engagements. Their Study findings also indicate that MSEs access to finance wholly depend on the levels of interactions between the financial manager and their capabilities which may include marketing strategy, financial operations and technological capabilities.

Another study by Irwin and Scott (2010) in South Africa on the barriers faced by MSEs in raising finance from bank found access to the finance itself as a key factor. The study concluded that access to finance by MSEs is dependent on the level of education and found out that those MSEs with A-level qualification were faced with difficulties in accessing finance while those with at least degrees had the least difficulty. Scholars have also focused their studies on access to finance by MSEs and Berger and Udell (2012) developed a model that is solely analyzed MSEs credit availability and in the framework concludes that technology is the best way through which government policies and financial structural implementations can be effected to ensure credit availability and access. The study concludes that technologies are best placed to simplify the complexities that are involved in access to finance and the levels of engagement between the financial institutions and the MSEs.

However, it can be stated that the framework by Berger and Udell apart from being oversimplified, does not take into account several key elements of the chain in access to finance by MSEs and thereby will in the fullness of time leads to misleading conclusions that large financial institutions cannot grant finance to MSEs due to their nature of establishments. These assertions are also confirmed by MacBhaird and Lucey (2010) study on determinants of small capital structure in Irish MSEs and conclude that the MSEs age, ownership structure, size and levels of intangible activity are all important aspects of determining the level of access to finance. Gatanga & Matavire (2013) study on factor affecting credit access from financial institution concluded that only very few MSEs can afford collateral as the security which is one of the lending requirement by financial institution.

In Kenya various study about access to finance by MSEs have been done extensively with various authors having different findings and recommendation. Musamali and Tarus (2013) concludes that in the Kenyan environment and specifically in their area of study the

main influence of access to finance by MSEs are the type of business they operate, number of years in operation and the size of the firm. Challenges in access to finance is a key indicator of problem to MSEs and even where financial institution are available to provide finance entrepreneur may lack the freedom due to the lending condition where they are supposed to provide collateral as a security for the loan (Kathure 2013). These assertions have been confirmed by Kung'u (2011) who notes that many MSEs face challenges when it comes to access finance in their businesses. Kung'u s findings indicate that there are three main factors that contribution to access to finance by MSEs and these are the entrepreneurial, financial and MSEs characteristics. It can be noted that although the data focuses on primary sources, more emphasis was given access to finance with regards to banking institutions whereas Irwin and Scott (2010) have shown that there are other financial institutions that can still lead money banks.

This study was carried out to improve on the models of the previous authors (Ndungu 2016), (Irwin & Scott 2010),(Bhaire & Lucey 2010) (Musamali &Tarus 2013),(Kung'u 2011) (Kathure 2013) using a new model and access identification strategy to answer the influence of access to finance by MSEs in a more broader aspect and specifically on the objective of the study to determine factors that influencing the performance of small and micro enterprises in Kenya.

2.3.2 Management skills and performance of MSEs

The performance of MSEs is mainly associated with human capital, availability of managerial skills and experience affect the performance of MSEs (Kamunge 2014).MSEs manager lack the experience and managerial skills where they develop their own management skills through a process of trial and error and they don't get training on business management frequently. According to Kamunge (2014) management skills is needed so as to enable a proper planning, controlling, budgeting, directing and staffing with qualified and competent employees. He

further emphasized that the government need to provide supporting services by offering training on basic business management skills so as to enable entrepreneur to manage their business and how to make the right investment decision. MSEs owners lack management skill which are mainly attributed due to low level of education and they end up being unable to face challenges in business environment and also to get the appropriate information about the new technology (Kedogo 2013).

Kinyua (2014) study on business performance concluded that lack of experience and management skills is a big challenge and do affect the performance of MSEs in Kenya. He further provided evidence that management skills has positively and significantly effect on the performance of MSEs and yet has not been adopted by the MSEs. He concluded that MSEs should attend some training so as to acquire management skill such as entrepreneur's skills, marketing strategy, financial recording and risk management. Lack of managerial know how place significant influence on MSEs performance. Hornsby & Donard Kuratko (2003) carried out investigation on 262 small business comparing those with high skilled and those with unskilled labour. They emphases the important of knowledge and high skilled labour in order for small business to remain competitive with other rivals in business environment. Education and skills are needed in business management and lack of basic management skills in a business is a major drawback toward the business performance. The major challenge being that entrepreneur training has not been integrated into the country education system and lack of exposure to new technology and modern management skills.

The entrepreneur with education and attained training on management they will have enough human capital to adopt improvement in their business performance (Kathure 2013). According to Sitharam& Hoque (2016) on their research on factors affecting MSEs in South Africa they concluded that lack of managerial skills and competence as challenges that affect the performance of MSEs. The managers being the owner of the business they lack experience

in the business management and in order for any business to succeed there is the need of necessary skill so as to be able to understand the financial record and also the common terms that are used in financial statement. Sitharam & Hoque (2016) further noted that MSEs outsource the accounting function because they don't have the appropriate skills and knowledge to solve the basic accounting issue within the business.

Storey (2004) research on the link between the management training and the business performance concluded that Small and Micro Enterprises are less likely than large firm to provide management training to their managers and employees. They latter did a comparison between UK and OECD countries Canada, Finland Germany Japan and USA and on their finding they concluded that there exists a relationship between the management training and small enterprises performance and there is need to create awareness and need for management training on MSEs. In developing countries, it has been observed that most of the people who run MSEs they have a low level of education (Bowen et al 2009). According to his study Bowen et al. (2009) on 198 MSEs within Nairobi Municipality he concluded that 47% of the business owners has post-secondary education or vocational training and only 4.5% had gone to university level and above. In his finding those who received training in line of business could do better in business performance than those who had not attended.

The study conducted by Morris, Kuratko & Cornwall (2013) on entrepreneurial imperative and education concluded that entrepreneurs require new skills and knowledge to improve the performance of their business and also to be able to compete with other competitors. Entrepreneur need to learn and broaden their knowledge in order to be able to deal with the challenges of maintaining good relationship with their financial, suppliers and customers. Entrepreneurship education also empowers people to have self-discipline, recognize the opportunity, develop strategy plan for the activities and also encourage innovations in learning the business. They further emphasis the need of entrepreneurship course to be

expanded with a curriculum model in mind so as to enhance entrepreneur process and competences. Abor & Quartey (2010) on their study on issue in MSEs development in Ghana and South Africa noted that lack of knowledge on management would affect MSEs performance and they can hardly compete with larger firms. They noted that MSEs don't get the supporting services and they cannot afford to pay the high cost charged for management training. The consulting firms don't provide cost effective management solution and there is still management skill gap in MSEs since most of the entrepreneur cannot afford the high cost of training.

In Kenya entrepreneurs who have worked at least five to seven years prior to starting their own business perform well compared to those without any prior work experience (Ngugi 2012). He further recommended that the government should provide supporting service and programs on MSEs in order to increase the awareness of managerial skills and knowledge by preparing small course for entrepreneurs. The study sought to improve on various study done by Abor & Quartey (2010), Sitharam & Hoque (2016), Kinyua (2014), Kamunge (2014) and identifying strategy to answer the influence of management on MSEs in a more broader aspect specifically on the objective of the study to determine the factors influencing the performance of micro and small enterprises in Kenya.

2.3.3 Business regulation and performance of MSEs

Implementation of new regulations is a major issue for the MSEs which may cause a conflict of interest where the public demand the introduction of regulation that will increase safety, environmental and security standard while on the other hand the entrepreneurs will be concerned about the cost caused by new regulations (Williams 2011). Many business rules and regulation including taxations are complex and administratively heavy to MSEs which act as a barrier to the sector rather than enabling progress (Supply Chain Analysis 2015). Government set rules and regulation in any given economy where some act as a barrier for the MSEs

performance instead of providing a ground for business information and improvement in production (Abbaszadeh ,Ebrahimi & Abtahi 2013).According to the development bank and the government of Kenya (2013) finding they noted that lack of harmonize and standardized laws and regulation at the county level would affect the performance of MSEs due to excessive administrative rule ,regulations and taxation.

Business from different sector has been affected by strict and excessive regulation which act as an obstacle for the survival, expansion and performance of MSEs (British Chambers of Commerce 2002). Small business are mostly affected by regulation as compared to large business since they are less proficient in dealing with complex regulations and the high cost of compliance. By implementing regulatory and policy which should be conducive for the establishment, growth and performance of MSEs is a high priority and policy for the OECD countries. The OECD (2011) categorized regulation into environmental, employment and tax regulation. In Kenya the Structured Adjusted Programs (SAPs) were implemented so as to eliminate some policies that were acting as barrier for the growth of small and micro enterprises. The government regulation may include taxation, wages, business permit and licensing, environmental health and safety which are among the policies that may destroy the small business if careful attention is not taken(Jackson2015).

Ntayi (2014) on his study in Uganda finding demonstrated that legal and regulatory framework is biased towards MSEs due to high regulatory burden of registering and running enterprises and the cost of registering a business is high. According to Kedogo (2013) on his study concluded that business regulation, taxation and registration procedures affect the business performance including other mandatory requirement to operate the business. He further emphasis that the government should come up with an easy process of registering and licensing of MSEs.Sitharam & Hoque (2016) study on factors affecting performance of MSEs they concluded that some MSEs fail to comply with the rules and regulation due to the high

cost and registration processes being time consuming. Further they noted some of the entrepreneurs don't understand the rule and regulation that they are to abide with thus it become difficult for their business to be compliance.

According to Adhiambo (2014) study on MSEs performance she emphasize that the rules and regulation that are set up by the government has a great impact on the business performance. Further she noted that the legal and regulation framework set up result into a complex registration and licensing process and also the tedious and costly reporting practice may impose a great constrains on the performance of MSEs. Some of the regulation set up by the government are beyond entrepreneurs capabilities and they end up paying penalty since they cannot afford to comply. She concluded that the government should establish institutional framework for business rules and create conducive environment for the MSEs and also work toward fair and comprehensive tax reform which will enhance MSEs performance

For job creation wealth and poverty reduction Season paper No 2 of 2005 was formulated to implement some measure on business regulation, polices and taxation to enhance the development of MSEs. The Private Sector Development strategy PSD (2006-2010) was developed by the government of Kenya which formulated the rules to be persuaded in order to enhance competitiveness, development and hence performance of MSEs. The strategy considered MSEs as the major sector that contribute to the growth and development of the country. Later parliamentary Act 2012 was formulated by the ministry of labor together with MSEs stakeholder in order to overseas the challenges that affect the sector and how they can improve on regulation and policies and at the same time assist toward the development of the sector.

Although the government has an effort to improve on MSEs it all depend with how they shall be supported and ensuring that the rules and regulation are not beyond MSEs ability. They should also provide conducive environment to enhance MSEs performance. The MSEs

Act 2012 should be implemented to factor on administrative changes and the devolved governance to support the MSEs (Ong'olo & Awino 2013). For a country to have fair distribution and allocation of resources and avoid imperfect competition and undesirable market the country need to have regulation that provide guidance. The study sought to improve on various study done Ntayi (2014), Kedogo (2013), Sitharam & Hoque (2016), Adhiambo (2014) in accessing and identifying strategy to answer the influence of business regulations and MSEs performance in a more broader aspect specifically on the objective of the study to determine factors influencing the performance of small and micro enterprises in Kenya.

2.3.4 Access to business information and performance of MSEs

In developing countries entrepreneurs operate in an environment characterized with incomplete business information where there is a limited awareness of market, technology, regulation, finance, competitors and suppliers especially those MSEs located in rural areas (Moyi 2003). Access to business information need to be provided by the government and the business service provider so as to enable MSEs to obtain sustainable growth and enhance their performance (Kamunge 2014) Further he concluded that there is scarcity of business information and the government and other stakeholder should educate SMEs owners so that they can do better. According to Muturi (2011) study on role of MSEs on achieving economic growth in Kenya concluded that lack of business information in relation to access to market and lack of market information, is a major challenge due to high production and low demand of goods. He further concluded that business face challenges in acquiring information, how to interpreter and how to implement the acquired information.

According to Ishengoma & Kappel (2011) study on growth potential and performance of MSEs in Uganda business information may include market information, networking and consultancy services which may enhance access to different market. They further emphasized

that access to market information may increase the entrepreneur knowledge on their customer demand and behavior as well as the best price for their goods and the sources of input. Ishengoma & Kappel (2011) concluded that entrepreneur participation in networking activity may increase access to technical and marketing information related to customer, suppliers and other competitors which will enhance the business performance. Networking enable entrepreneur interaction which affect business performance directly since the acquired information can be applied to enhance business performance in terms of profit and productivity (Moyi 2003)

According to Mwobobia (2012) study on factor influence performance of MSEs he concluded that competition in terms of marketing and business related information is a major challenge in business performance in terms of market share. He emphasizes that MSEs are source of innovation which bring about introduction of new product and services and as a result there is high competition within the sector. Due to lack of marketing information and skills most of the MSEs market don't expand and new competitors such as min supermarket and general store with wide varieties of product emerge which leads to poor performance of MSEs (Jaiyeba 2010). Access to market information is crucial and the information available would contribute a lot to the performance of MSEs (Kebede 2015). MSEs operate in a highly competitive environment and competitor oriented entrepreneur can identify the strength and weakness of their rivals (Kamau 2016).

Networking is essential for the overall performance of the business in terms of survivor growth and innovativeness and the information acquired through different related network of the business will be associated in introduction of different types of product, market and production process (Varis&Littunen2010). The main aim of MSEs to have effective network is maximizing marketing opportunities and maintaining relationship with the key customers (Owino 2017). MSEs access to relevant business information and technologies is constrained by

low investment in research and development of new technology, product and poor linkage of MSEs to sources of marketing and new technologies (Renny 2011). There is need to overcome the business information deficiencies faced by the sector particularly in rural areas. The study sought to improve on various study done by Ishengoma & Kappel (2011), Moyi (2003), Kinyua (2014), Mwobobia (2012), Muturi (2011) on factors influencing performance of Micro and Small enterprises in Kenya.

2.3.5 Business performance

Performance can be identified when the business is able to achieve its main objectives and goals and from previous literature several factors influence the performance of MSEs (Kamunge 2014). Performance in MSEs can be identified in terms of output as quantified objective or profitability (Martin 2010). Performance can also be measured referring to how employees deliver their services and any success in a business will be termed as good performance while the failure of a business will be termed as poor performance (Wanjiku 2015). Financial measure may include increase in profit and increase in sale volume while non-financial measure may include overall performance of the business, increase in number of employees, customer satisfaction, customer loyalty and brand awareness. Atieno (2009) concluded that financial measure is simple easy to understand as well as to compute while non financial performance are so complicated and cannot be computed.

Several studies have shown various factors affect performance of Micro and Small enterprises where access to finance has been identified as a major factor (Gichuki 2014). Some researchers on MSEs performance argue that small business are undercapitalized and many business owners depend on their own saving, family and friends and access to finance remain a big challenge (Mutira 2017). Most of the MSEs cannot meet the requirement of the commercial loan which include collateral and some do find the loan being too expensive due to the high interest charged (Ndungu 2015). A study by Mwanja (2011) on performance of MSEs

concluded that access to finance affect performance and that collateral requirement should not be used as the only leading requirement and the repayment period to be on long term basis.

Management skills, expertise and entrepreneur skills has also been identified as a determinant of failure and success of a business and has been identified as the major constrain hindering the performance of MSEs in Kenya (Kinyua 2014). He further concluded that financial accounting, cash management and marketing strategy need knowledge and management skills in order to be efficiency. Any weakness in management skills will be an impact in all other areas of the business. A study by Ngugi (2012) the entrepreneur skills and training, number of years in operation, the marketing strategy and diversification of the product are among the factors that contribute to the performance of MSEs.

Business registration has also been identified as a major factor that influences the performance of MSEs. A study by Kedogo (2013) on factor influencing the performance of MSEs concluded that there is a lot of complains regarding the tedious registration and certification process in Kenya and various regulatory body require money on time. As a result of these many entrepreneurs tend to evade the process which proves more expensive due to the penalty charged. Mensah (2013) conducted a study on performance of MSEs and concluded that product improvement and process improvement contribute on the performance of the business. Musfid (2013) study on factors influencing performance of MSEs stated that entrepreneur characteristic such as public relationship, efficiency and management skills can significantly influence the performance of MSEs. Further he concluded that competence of human resources which involves the knowledge and skill also influence the performance of MSEs.

To establish any improvement in business performance a detailed assessment can be done with the manager and employees to establish the specific areas (Ogunyomi & Bruning 2016). It is very important to identify factors that influence business performance and at the

same time management can do nothing to eliminate the constraints (Wanjiku 2015). Control measure need to be implemented to ensure that the identified constraints are monitored. The factors must be closely monitored to ensure that measures are taken within the best time. Profit has been widely adopted by many researchers as the models for measuring the business performance (Abera 2012). Given the importance of MSEs in Kenya and the exposed risk in their performance due to business regulation, management skills, access to finance and business information there was the need to carry out study on factors influencing the performance of MSEs in Kenya.

2.4 Summary of the literature

The study was on factors influencing the performance of micro and small enterprises in Kiambu County. The key concept being access to finance, management skills, Business regulation and access to business information. The theories that were used to explain the study are credit rationing theory, resource based firm theory and opportunity based entrepreneurship theory. The concept was studied from the empirical review that supports the objectives of the study on factors that influence the performance of micro and small enterprises.

2.5 Research Gap

Many researchers have done it before both locally and internationally establishing the factors that influence the performance of Micro and Small enterprises. Majority of the researcher concentrated on the city centre especially on the central business district of Nairobi and dealt with specific objectives. Only few researchers have been done touching on micro and small traders in rural areas. The study dealt with factors influencing the performance of Micro and Small enterprises in rural and urban areas in Kiambu County. Similar studies has been carried out but concentrated on challenges encountered by micro and small enterprises traders while accessing credit. Some dealt with only one gender but the study concentrated on factors that influence the performance of Micro and small enterprises in general. The study aim was to

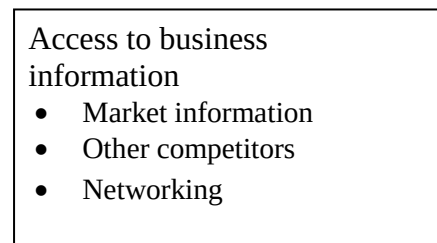
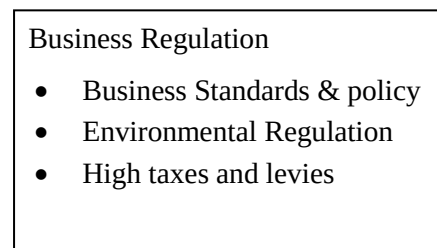
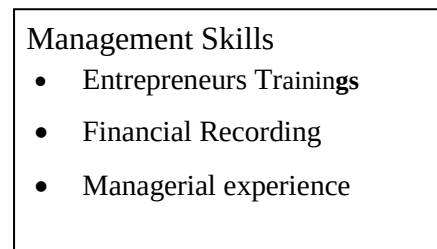
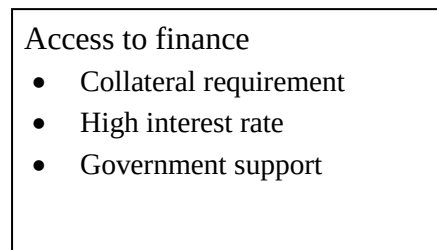
fill the gap by establishing the impact of business regulation, management skills, access to finance and access to business information on performance of micro and small enterprises in Kiambu County.

2.6 Conceptual Framework

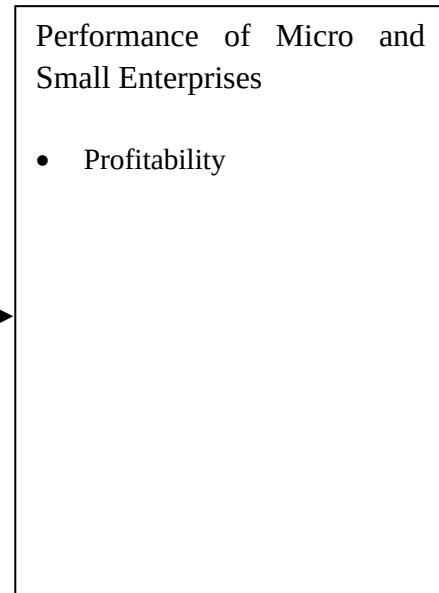
A conceptual framework is a presentation of ideas and principles gathered from a relevant field. (Kombo and Tromp 2011). It's a diagrammatic presentation that illustrate the linkages between dependent and independent variables (Mugenda & Mugenda 2003). The concept that relate to one other are used to explain the research problem. The independent variables were access to finance, management skills, business regulation and access to business information while the dependent variable was performance of MSEs. The study sought to establish the relationship between the variables as presented in the conceptual framework in Figure 1.

Figure 2.1 Conceptual Framework

Independent variables



Dependent variables



Source: Author (2018)

2.7 Operationalization of variables

TABLE 2. 1 Operationalization of variables

Variables	Orientation	Objectives	Indicators	Scale of Measurement	Tool of Analysis
Business Performance	Dependent Variable		Growth in size Number of employees Sales volume Profitability	Ordinal using 5 point likert scale	Descriptive regression analysis
Access to Finance	Independent Variable	To determine the influence of access to finance on performance of small and micro enterprises in Kiambu County.	Affordable collateral Favorable interest rates Government support levels	Ordinal using 5 point likert scale	Descriptive regression analysis
Management Skills	Independent Variable	To establish the influence of management skills on the performance of small and micro enterprises in Kiambu County	Number of Entrepreneurs Trainings Financial Recording Managerial experience reports	Ordinal using 5 point likert scale	Descriptive regression analysis
Business Regulation	Independent Variable	To establish the influence of business regulation on the performance of small and micro enterprises in Kiambu County	- Business standards & policies available -Environmental regulation available -Number of taxes and levies	Ordinal using 5 point likert scale	Descriptive regression analysis
Access to Business information	Independent Variable	To determine the influence of access to business information on the performance of small and micro enterprises owners in Kiambu County	- Market information -About other competitors -Networking	Ordinal using 5 point likert scale	Descriptive regression analysis

Source: Author (2018)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Kothari (2012) described research as investigation on a specific topic by gathering information and searching for new ideas and facts in a given field of study while applying the required knowledge. According to Clifford woody (2014) research involves identifying the problem formulating the factors that contribute to the problem and the solution, collecting the required data, organizing, testing and analyzing the data and then making conclusion from the finding and the suggested solution. The key aspect being presented in this chapter include research design, targeted population, sampling procedures, instrument used for collecting data, data processing method and presentation.

3.2 Research Design

A descriptive research design was adopted as being the appropriate outline to collect the data and analyze the finding to establish factors that influence the performance of MSEs. Ogula (2012) described research design as the strategy applied to carry out the study and plan on how the data will be collected and analyzed. According to Schindler & Cooper (2001) descriptive design is one that is concerned with description of phenomena and characteristic associated with a subject population. Descriptive design was ideal for the study since it described the nature of the respondent and the result of finding in a manner that assist in answering the research question.

3.3 Target Population

A population is an element of collection from any given selection of units or sector where a sample is selected for further study and examination (Kothari 2011). According to Mugenda & Mugenda (2011) population is the total element or entities from which a researcher wished to draw a sample for the study and population forms the subject of the study. The targeted

population for the study comprises of 4897 registered MSEs (Kiambu County 2018). The MSEs population was distributed as per Appendix II.

3.4 Sampling and Sampling Procedures

This section discusses sampling technique used to get the sample size. A sample is a set of services, things or individual from a population of the study which is selected ensuring every category is give a chance to be included in the study by using the suitable procedure (Mugenda & Mugenda 2003).The sampling flame constituted of 4897registered MSEs obtained from Kiambu County business register 2018 as per Kiambu Business Trade License Act 2016.Sampling involves selecting from a given population a small group to be used for study using the sampling technique (Cooper & Schindler 2012).

The study applied sampling method to pick a sample size from the population. According to Mugenda and Mugenda (2011) a stratified sampling procedure is suitable for a study that is heterogeneous. Since the study was looking for different heterogeneous categories of MSEs within Kiambu County stratified sampling was ideal for the study. The stratified sampling enabled the researcher to group the MSEs into different sector which includes accommodation, storage, education, general trade, agricultural and transport from Kiambu County then the actual sample size was drawn. Krejcie & Morgan (1997) formula was used to determine the sample size of 385 MSEs as follows.

$$S = \frac{X^2 NP (1-P)}{d^2 (N-1) + X^2 P (1-P)}$$

S=Required sample size

X^2 =Chi Square value at 1 degree of freedom (3.841)

N=Population Size

P=Population proportion (assumed to be .05)

d=Degree of accuracy expressed as a proportion (.05)

Sample size calculation

$$S=3.841*4897*.5(1-.5) / .05^2(4897-1) +3.841* .5(1-.5)= 385$$

TABLE 3.1Types of MSEs and Sample size distribution

SMEs Sector	Population	Sample	Percentage
Size Distribution			
Accommodation and catering	244	19	5%
Storage transport and communication	295	23	6%
Private education Health and Entertainment	538	43	11%
General Trader, Retailer, Wholesaler and Store	1909	150	39%
Industrial Plants, Factories and Workshops	491	39	10%
Professional and Technical services	1028	81	21%
Agricultural producer/Processor	392	30	8%
TOTAL	4897	385	100

Source: Kiambu County (2018)

3.5 Instrumentation and data collection

Structured questionnaire was used to gather information from the respondent. Questionnaire were appropriate for the study so as to get direct information from respondent as well as observing the feelings, altitude, and experience of individual (Baker & Ponton 2013). The questionnaire had open ended questions to help in expounding responses to some closed ended questions asked which helped to give a wider perspective of the issue discussed by specific questions.

According to Copper and schindler (2012) a data collection method is a mechanism that a researcher employs to collect data from the respondent by using questionnaire to answer the research question. The study used primary data which was collected by distributing

questionnaire to the respondents. Use of questionnaire was an ease process as the sampled respondents were free to fill the questionnaire according to their opinion. The study adopted a questionnaire tool with a five Likert scale ranging from strongly disagrees, disagree, neutral, agree, and strongly agree.

3.6 Validity and Reliability of the instruments

The accuracy of the data to be collected depends on the instrument used to collect data in terms of validity and reliability (Mugenda and Mugenda2003). Validity is the accuracy of the result when a test is done and measure what is supposed to measure. The researcher used a multiple source of evidence so as to construct validity. Consulting expert and pilot testing was undertaken to ensure validity. The validity of instrument is the extent to which it show and measure what it is supposed to show and measure (Mugende and Mugenda 2003).Orodho (2004) concluded that validity is the accuracy of the result generated when the collect measure are used and provide a reliable result.

To test for the internal consistent reliability analysis was carried out using the cronbachs Alpha as the measure. When assessment is done and produce consistency result the test is considered to be reliable (Nachmias 2000). The researcher employed test-re-test to establish the reliability of the data. Pilot test was also done by issuing questionnaire to 40 MSEs which were not include in the final data to test for the reliability of the instrument and data. According to Mugenda and Mugenda (2003) when a test is carried twice and yield the same result then the instrument will be considered as reliable to carry out the study.

3.7 Pilot Testing

Pilot testing is the survey conducted to test the quality of questionnaire before the main study (Tandon 2014). To test for reliability, the researcher conducts a pre testing questionnaire from a different MSEs which were not included in the study. The principal researcher and the

researcher assistant conducted test-retest to enhance clarity of the questionnaire. Pilot testing was done within Kiambu County by randomly sampling 40 MSEs which were not included in the actual data and administer questionnaire to the owners. The information collected during pilot testing was checked for validity and reliability using the cronbachs Alpha.

3.8 Diagnostic Test

The researcher also carried out diagnostic test to access the validity of a model in a number of different ways and ensure accuracy and address various form of bias that might occur. F-test was carried out in order to identify the model that best fit the population from which the sample was collected. Normality test was tested using the Q-Q plot and normal distribution curve to check for any outliers and to ensure that the variables are normally distributed. The study also carried out multicollinearity test using both tolerance and variance inflation factor to ensure that no two independent variables that are highly correlated. Analysis of Variance was also carried out to establish the significance of regression model. The researcher also carried out T-test to test the significance of regression model to the dependent variables.

3.9 Data Processing analysis

Data analysis is the process through which raw data is converted and summarized in a way that Quantitative and Qualitative data approach were generated. The data collected from the field by use of questionnaire was coded, sorted and edited and the then analyzed using the Statistical Package for Social Science (SPSS). To address the research, question the data was grouped according to the objectives and then organized and summarized to make conclusion from the finding. The study used percentages, frequency, standard deviation and mean to present the data and to show the different in tabulation.

Factor Analysis was performed to extract the factor with more explanatory power in relation to the factor that influences performance among MSEs within Kiambu County. The

aim of exploratory factor analysis was to obtain correlation matrix and extract the more powerful factors as possible Cheruiyot, Jagongo & Owino (2012).Kaiser-Meyer- Olkin (KMO) measure of sampling adequacy was adopted as pretest condition to Exploratory Factor Analysis (EFA).The KMO index ranges from 0 to 1 with $KMO \geq 0.7$ being most preferred. Principle Component Analysis (PCA) was used for factor extraction to determine the smallest number of factor that can represent interrelationship among set of variables and varimax with Kaiser Normalization rotation method was used.

To establish the relationship between independent and dependent variable the study adopted regression model as follows.

$$Y = \beta_0 + \beta_1 X^1 + \beta_2 X^2 + \beta_3 X^3 + \beta_4 X^4 + \epsilon$$

Where

Y= Independent variables (Performance of MSEs)

X1...X4 =Dependent variables (Access to finance, Management skills, Business regulation, Access to business information)

β_0 =Coefficient of the model

$\beta_1 \dots \beta_4$ =Slope of the coefficient which shows the change in dependent variable per unit change in the independent variable

ϵ =The error term.

CHAPTER FOUR

DATA ANALYSIS FINDINGS AND DISCUSSION

4.1 Introduction

This chapter focuses on the analysis of the collected data from the field through the use of questionnaires as well as discussion of the findings. Data was analyzed according to the objectives of the study interpretation was done and conclusion drawn. The main objective of the study was examining the factor that influences the performance of Micro and Small Enterprises in Kiambu County.

4.2 Response rate

The study targeted 385 Micro and Small Enterprises in Kiambu County. Out of the targeted respondent 325 participant filled and returned the questionnaires giving a response rate of 84.42% which is above 70% response rate threshold (Mugenda and Mugenda 2003) and hence the sample size was sufficient. The findings are presented below in Table 4.1

TABLE 4. 1: Response rate

	Frequency	Percentage (%)
Returned	325	84.42
Not Returned	60	15.58
Total	385	100.00

4.3 Reliability Analysis

A reliability analysis was conducted to determine the validity and reliability of the study using Cronbach's Alpha as the measure. A reliability co-efficient of ≥ 0.7 was considered adequate. In this case a reliability coefficient of 0.891 was registered indicating a high level of internal consistency. The finding indicate that all constructs value of Cronbach's Alpha are above the

suggested value of 0.7 limit indicating high level of internal consistency thus the study was reliable as indicated in Appendix III.

4.4 Demographical information

4.4.1 Gender

The study sought to find out the genders of the respondents. The study established that majority of the respondent (59.1%) were female while 40.9 % were males The finding are presented below in Table 4.2

TABLE 4. 2 Gender of the respondent

Gender	Frequency	Valid Percent
Male	133	40.9
Valid Female	192	59.1
Total	325	100.0

4.4.2 Age group

The study sought to establish the age of the respondents. The respondent were asked to indicate their age group The study established that majority (37.2%) aged between 31-40 years followed by 31.1% aged 41-30 years and then 20.9 % aged 21-50 years while 9.2% aged over 50 years and only 1.5% were below 20 years. The findings are presented below in Table 4.3

TABLE 4. 3 Age of Respondent

	Frequency	Valid Percent
Below 20 Years	5	1.5
21 -30 years	101	20.9
Valid 31-40 Years	121	37.2
41-50 Years	68	31.1
Over 50 years	30	9.2
Total	325	100.0

4.4.3 Level of education

The respondents were further requested to indicate their level of education. It is important to consider the level of education of the respondent since it has an impact on the way the respondent interpret the question. The study established that majority (41.5%) were university graduate/collage followed by 41.2% secondary school leavers and then 13.5% primary school leaver. Those with no education were the least at 3.7%. The study findings are presented below in Table 4.4

TABLE 4. 4 Level of education of the respondents

		Frequency	Valid Percent
Valid	None	12	3.7
	Primary school	44	13.5
	Secondary school	134	41.2
	University/Collage	135	41.5
Total		325	100.0

4.4.4 Legal status of business

The respondents of the study were asked to indicate the legal status of their business. The study established that majority of the respondents (67.7%) were sole proprietors followed by 19.7% who are partnership and 12.6% limited companies. The study finding are presented below in Table 4.5

TABLE 4. 5 Legal status of the business

	Frequency	Valid Percent
Sole	220	67.7
Valid Partnership	64	19.7
Limited	41	12.6
Total	325	100.0

4.4.5 The status of respondent in the business

The respondents of the study were asked to indicate their status in the business. The study established that majority of the respondents (74.8 %) were the owners followed by 14.8% who are supervisor and 10.5% are managers of the business. The study finding are presented below in Table 4.6

TABLE 4. 6 The status of the respondents

	Frequency	Valid Percent
The owner	243	74.8
Valid Manager	34	10.5
Supervisor	48	14.8
Total	325	100.0

4.4.6 Number of years in the MSEs sector

The study sought to know the number of years the business is in operation and the respondents were asked to indicate the number of years they have been in MSEs sector .The study established that majority (43.7%) has been in business 1-5 years followed by those in existence for 6-10 years at 30.2 % only 20.9 % has been in existence 11-15 years and 2.8 % 16-20 years and the least 2.5% has been in business for more than 20years. The study findings are presented below in Table 4.7.

TABLE 4. 7 Number of years in MSEs Sector

	Frequency	Valid Percent
1-5 Years	142	43.7
6-10 Years	98	30.2
Valid 11-15 Years	68	20.9
16-20 Years	9	2.8
More than 20 years	8	2.5
Total	325	100.0

4.4.7 Number of employees in the business

The study further sought to know the size of business in Kiambu County by the number of employees each had. The study established that majority of the business 54.2% has less than 10 employees followed by 38.2 % with no employees and the owner learn the business alone 6.8 % they have 11-20 employees and the least 0.9% with more than 20 employees. The findings are presented below in Table 4.8

TABLE 4. 8 Number of employee in the business

	Frequency	Valid Percent
None	124	38.2
Less than 10	176	54.2
Valid 11-20	22	6.8
More than 20	3	0.9
Total	325	100.0

4.5 Diagonist Test

4.5.1 Normality Test

Normality test was carried out before regression analysis to test for any outliers The variables were tested for normality test using Q-Q Plot display and normal distribution curve. The Q-Q

Plot display the data set was normally distributed since most of the data point tends to lie on a straight line. The findings are presented in Appendix V.

4.5.2 Multicollinearity Test

The second test for regression assumption carried out was multi-collinearity test. This was conducted by use of both tolerance and variance inflation factor. There was no multi-collinearity since the VIFs were less than 10 and none of the tolerance was less than 0.1 The finding are presented below in Table 4.9

TABLE 4. 9 Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	Access to finance	.436	2.293
	Managements kills	.370	2.704
	Business regulations	.568	1.760
	Business Information	.976	1.025

4.6 Validity Analysis

Exploratory factor analysis (EFA) was carried out where Principal Component Analysis (PCA) was used as the extraction method. The KMO test was carried out and yield 0.89. According to Kaiser (1997) recommends accepting value above 0.5 for the study the value is 0.89 and the Bartlett's Test of Sphericity resulted in P-value =0.000 which was significant and meant the variables in MSEs data were appropriate as indicated in Appendix IV.

Factor extraction was performed using the MSEs data and then Varimax with Kaiser Normalization was used for extraction and rotation. Before extraction SPSS identified 24 linear components within the data set out of which after extraction 4 components explain 55.42 % of the variation leaving 44.58 % unexplained as identified in Appendix V. This necessitated factor

rotation to explain the unexplained component. The rotated component matrix generated is presented below in Table 4.10

TABLE 4. 10 Rotated Component Matrix

Rotated Component Matrix^a				
	Component			
	1	2	3	4
Lack of managerial skills is a challenge	.715			
Training assist in business skills	.698			
Unpredictable changes set by government	.649			
Entrepreneurs lack the necessary training	.640			
Managerial experience assist in business	.616			
Not able to meet high trading and standard	.600			
Proper financial record assist to borrow	.517			
Great impact on environmental regulation	.512			
To comply is beyond entrepreneur ability	.478			
Business with market information satisfy customer		.775		
Business offer excellent good than other competitors		.768		
With high competition business are affected		.737		
Networking activities increase business information		.722		
Networking inform any change in business information		.661		
Entrepreneur lack market information		.624		
Benefit through youth,uwezo fund and women fund			.756	
Government has some creative support			.744	
Complex licensing is time consuming			.682	

Financial record keep business on track	.502
Failure to abide with regulation to pay penalty	.490
Very high interest rate	.777
They lend on short term basis	.720
Collateral primary lending condition	.715
Decline because of lack of collateral	.519

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

According to the finding component 1 explained nine factor with the item Lack of managerial skills is a challenge loading the highest 0.715, followed by training assist in business skills 0.698. Unpredictable changes set by government loaded 0.694 and entrepreneurs lack the necessary training 0.640, managerial experience assist in business 0.616 and not able to meet high trading and standard loaded 0.600.

Component 2 loaded six items and the order of the factor being business with market information satisfy customer loaded 0.775, business offer excellent good than other competitors had 0.768, With high competition business are affected loaded 0.737, Networking activities increase business information had 0.722, Networking inform any change in business information had 0.661 and Entrepreneur lack market information with 0.624.

Component 3 loaded five items which are explained to a great extent by Benefit through youth, uwezo fund and women fund loaded 0.756, Government has some creative support had 0.744, Complex licensing is time consuming 0.682 and financial record keep business on track 0.503. Component 4 loaded 4 items to a great extent where Very high interest rate loaded 0.777, they lend on short term basis had 0.720 Collateral primary lending condition loaded 0.715 and decline because of lack of collateral being 0.519.

4.7 Study Variables

4.7.1 Access to finance influence on performance of MSEs

The study sought to find out the influence of access to finance on performance of MSEs by asking the respondents to indicate how they raise their finance. The study established that majority of the respondent (47.1 %) indicated that they raise from Micro finance 26.2 % from banks while 20.9 indicated they raise their finance from others source and only 5.8% raise from their friends. The result findings are presented below in Table 4.11

TABLE 4. 11 How respondent raise their finance

	Frequency	Valid Percent
Friends	19	5.8
Micro Finance	153	47.1
Banks	85	26.2
Others	68	20.9
Total	325	100.0

According to the finding most of the respondent (47.1 %) raise their finance from Micro finance institution which indicates that they depend on their small savings whereby after saving for sometimes they will then be granted loans according to their savings. The study revealed that only 26.2 % respondent who would go for loans to the bank due to strict requirement like collateral and the high interest rate and the lest 20.9 % would go for their personal savings and 5.8% from friends and relatives.

The study further requested the respondent to indicate the extent to which their business face challenges in accessing finance. The extent was measured on Likert scale of 1-5 where 1- to Very large extent, 2- to Large extent, 3- to Moderate extent, 4 to Small extent and 5 to No extent. The Finding established that majority (38.8%) of the respondent indicated to a large extent 20.3% indicated to a small extent while 17.2% indicated moderate extent and 15.1% to a

small extent. The least 8.6%. indicated that they face challenges in accessing finance to a very large extent. The result findings are presented below in Table 4.12

TABLE 4. 12 Access to finance influence performance

	Frequency	Valid Percent
Valid	Very large extent	8.6
	Large extent	38.8
	Moderate extent	17.2
	Small extent	15.1
	No extent	20.3
	Total	100.0

According to the finding the respondent face challenges in accessing finance to a very large extent (8.6%) and to large extent at 38.8%. This indicate that they don't benefit from the youth fund and Uwezo fund granted by government and also due to lack of collateral as the security, lack of savings and also due to the high cost and interest charged by financial institution. Majority of the respondents were sole proprietors (67.7%) who may lack collateral as the security and also saving to be granted loan by microfinance.

The researcher sought to know the extent to which access to finance influence the performance of Micro and small enterprises in Kiambu County. The study established that on several occasion they have applied for the loan but the financial institution decline because they lack the collateral as the security for the loan to a great extent ($M=3.94, SD=1.029$) and the collateral being the primary leading condition to a great extent ($M=3.77, SD=1.080$). The interest rate charged by the financial institution being moderate extent ($M=3.76, SD=1.160$) and they also lend on short term basis with credit processing and cost being high ($M=3.57, SD=1.105$). Further the government has some creative support toward the financial institution to make it easy for MSEs to access finance being moderate extent ($M=3.53, SD=1.174$) and MSEs has benefited through Youth fund, Uwezo fund and Women fund established by the government to a

moderate extent (M=3.51,SD=1.167).The result of the finding are presented below in table 4.13

TABLE 4. 13 Descriptive Statistics

	Mean	Std. Deviation
Decline because of lack of collateral	3.94	1.029
Collateral primary lending condition	3.77	1.080
Very high interest rate	3.76	1.160
They lend on short term basis	3.57	1.105
Government has some creative support	3.53	1.174
Benefit through youth,uwezo fund and women fund	3.51	1.167
Overall Mean	3.68	1.119

According to the finding financial institution insist on the provision of collateral as the primary lending condition which become a challenge for the entrepreneurs to access finance to a large extent. This implies that majority of the respondent when they apply for the loan they are declined because they lack the collateral. Only very few MSEs succeed to access finance from the bank and other financial institution the main reason being failure to meet the leading requirement (Gatanga & Matavire 2013) The study finding revealed that financial institution charges very high interest rate and they lend on short term basis where most of the entrepreneur are sole proprietor who cannot afford to pay on short term basis and also the high interest rate is a challenges.

4.7.2 Management skills influence on the performance of MSEs

In this section the researcher sought to know the extent to which management skills affect the performance of micro and small enterprises in Kiambu County. The extent were measured on likert scale of 1-5 where 1- to Very large extent,2- to Large extent, 3- to Moderate extent, 4 to Small extent and 5 to No extent. The Finding established that majority (32.3%) of the respondent indicated to a large extent 22.2% indicated to small extent while 19.1% indicated

no extent and 17.2% to moderate extent. The least 9.2% indicated management skill influence performance of their business to a very great extent. The result finding are as shown below in Table 4.14

TABLE 4. 14 Extent management skills influence performance

	Frequency	Valid Percent
Valid	Very large extent	9.2
	Large extent	32.3
	Moderate extent	17.2
	Small extent	22.2
	No extent	19.1
	Total	100.0

According to the finding lack of management skills affect the performance of MSEs to a large extent 32.3 % which implies that majority of entrepreneur lack management skills. Despite the curriculum education received entrepreneur may require management training so as to know how to manage their business and also proper record keeping which will enhance improvement in MSEs Performance (Kathure 2013). Management skill is necessary in any business and availability of managerial skills and experience affect the performance of MSEs (Kamunge 2014)

The researcher further sought to know the extent to which management skills affect the performance of Micro and small enterprises in Kiambu County. The study established that entrepreneurships training assist in business skills and productivity to a large extent ($M=4.12$, $SD=0.880$) and many entrepreneur lack the necessary training skills and education to learn the business to a great extent ($M=4.13$, $SD=0.874$). Proper financial record will assist the business when they need to borrow loan to a large extent ($M=4.19$, $SD=0.889$) and also proper financial record and documentation will keep business on track ($M=3.89$, $SD=1.020$). Further those with managerial

experience can learn the business without challenges ($M=4.00, SD=0.884$) and lack of managerial know how is a great challenge ($M=4.18, SD=0.833$). The result finding are presented below in Table 4.15.

TABLE 4. 15 Descriptive Statistics

	Mean	Std. Deviation
Training assist in business skills	4.12	0.880
Entrepreneurs lack the necessary training	4.13	0.874
Proper financial record assist to borrow	4.19	0.889
Financial record keep business on track	3.89	1.020
Managerial experience assist in business	4.00	0.884
Lack of managerial skills is a challenge	4.18	0.883
Overall Mean	4.085	0.905

According to the finding most of the entrepreneur lack the necessary training to a large extent with a mean 4.13 which implies that most of the entrepreneurs don't attend management training conducted by financial institution mainly because they cannot be able to pay the training fee, lack of time as majority of the entrepreneur are sole proprietor and they manage their business on their own. Management skills is necessary in any business and availability of managerial skills and experience affect the performance of MSEs (Kamunge 2014).

4.7.3 Business regulation influence on performance of MSEs

In this section the researcher sought to know the extent to which business regulation affect the performance of micro and small enterprises in Kiambu County. The extent were measured on likert scale of 1-5 where 1- to Very large extent, 2- to Large extent, 3- to Moderate extent, 4 to Small extent and 5 to No extent. The Finding established that majority (30.2%) of the respondent indicated to a moderate extent 24.3% indicated to large extent while 22.8%

indicated small extent and 16.3% no extent. The least 6.5% indicated that business regulation influence performance of their business to a very great extent. The result finding are presented below in Table 4.16

TABLE 4. 16 Extent business regulation influence performance of MSEs

	Frequency	Valid Percent
Very large extent	21	6.5
Large extent	79	24.3
Valid Moderate extent	98	30.2
Small extent	74	22.8
No extent	53	16.3
Total	325	100.0

According to the finding most of the respondent felt that business regulation influence the performance of MSEs to a moderate extent (30.2 %) and to a large extent at (24.3). This implies that the regulation standard and registration process set up by Kiambu county government they are not of the standard and majority MSEs are able to abide with.

Further the researcher sought to know the extent to which business regulation influence the performance of Micro and small enterprises in Kiambu County. The study established that unpredictable changes set by the government influence at moderate extent ($M=4.21, SD=0.852$) and the business being unable to meet the high trading and standard ($M=4.02, SD=0.948$). With the great impact on environmental regulation to a moderate extent ($M=3.68, SD=1.022$) and also the failure to abide with regulation to pay penalty ($M=3.75, SD=1.086$). Further complex licensing is time consuming influencing at ($M=3.82, SD=1.14$) and to comply with business regulation is beyond entrepreneur ability at large extent ($M=4.06, SD=1.001$). The finding are presented below in Table 4.17

TABLE 4. 17 Descriptive Statistics

	Mean	Std. Deviation
Unpredictable changes set by the government	4.21	0.852
Not able to meet high trading and standard	4.02	.948
Great impact on environmental regulation	3.68	1.022
Failure to abide with regulation to pay penalty	3.75	1.086
Complex licensing is time consuming	3.82	1.14
To comply is beyond entrepreneur ability	4.06	1.001
Overall Mean	3.92	0.952

According to the finding despite the business regulation affecting the business performance to moderate extent some of the respondent were not able to meet the trading standard and also to comply is beyond their ability to a great extent. Business regulation which include taxation and registration procedures affect the performance of MSEs including other mandatory requirement to operate MSEs (Kedogo 2013).The study implies that there are still some rules set up by the county government that do affect the performance of MSEs.

4.7.4 Access to business information and performance of MSEs

In this section the researcher sought to know the extent to which access to business information affect the performance of micro and small enterprises in Kiambu County.The extent were measured on likert scale of 1-5 where 1- to Very large extent,2- to Large extent, 3- to Moderate extent, 4 to Small extent and 5 to No extent. The Finding established that majority (36.3%) of the respondent indicated to a small extent 28.0% to moderate extent while 24.9% indicated no extent and 7.4% large extent. The lest 3.4% indicated that business information influence performance of their business to a very great extent. The result finding are as shown below in Table 4.18

TABLE 4. 18 Extent access to business information influence the performance of MSEs

		Frequency	Valid Percent
Valid	Very large extent	11	3.4
	Large extent	24	7.4
	Moderate extent	91	28.0
	Small extent	118	36.3
	No extent	81	24.9
	Total	325	100

According to the finding majority of the respondent (36.3 %) were of the view that business information affect the performance of MSEs to a small extent. This implies that most of the respondents have access to business information required in the performance of their business. The researcher further sought to know the extent to which access to business information affect the performance of Micro and small enterprises in Kiambu Couunty. The study established that entrepreneur lack market information and market creation opportunity about their product to a moderate extent ($M=3.84$, $SD=1.038$ and the business is capable of satisfying customer need while meeting other stakeholder expectation while having market information ($M=3.84,SD=0.909$). With high competition MSEs are affected and those with wide varieties of product emerge ($M=4.05,SD=0.900$) and also the business is able to offer excellent good and services than its rival competitors ($M=4.10,SD=0.910$).Further participation in business network activities increase access to information related to customer demand and new products ($M=4.14,SD=0.861$) and business information available inform the entrepreneur any change in the business environment through networking ($M=3.91,SD=0.994$. The result finding are presented below in Table 4.19

TABLE 4. 19 Descriptive Statistics

	Mean	Std. Deviation
Entrepreneur lack market information	3.84	1.038
Business with market information satisfy customer	3.84	0.909
With high competition business are affected	4.05	0.900
Business offer excellent good than other competitors	4.10	0.910
Networking activities increase business information	4.14	0.861
Networking inform any change in business information	3.91	0.994
Overall Mean	3.98	0.935

According to the finding despite having access to business information majority of the respondent were of the view that their business are affected due to high competition where some of the entrepreneur are so innovative and creative and they come up with new product and improve the available product. Lack of MSEs information in relation to access to market information is a major challenge due to high production and low demand of good (Muturi 2011). Some of the respondent felt that they lack market information to a moderate extent which also influence the performance of MSEs.

4.7.5 Business Performance

The researcher sought to know the extent to which Micro and small enterprises in Kiambu County were performing in relation to various parameter. The extent were measured on likert scale of 1-5 where 1- to Very large extent, 2- to Large extent, 3- to Moderate extent, 4 to Small extent and 5 to No extent. The findings are presented below in Table 4.20.

TABLE 4. 20 Descriptive Statistics

	Mean	Std. Deviation
There is increase in sales and the business performance has improved	4.271	0.936
The number of employee has increased and the business is able to offer conducive working environment	3.686	1.085
There is minimal waste reduction as all the product are sold and delivered on time.	4.185	0.954
The business is able to open other branches due to business expansion	3.865	1.068
The number of customer has increased due to excellent goods and services	3.795	1.132
The business is able to maintain customer and also improve their services	3.824	1.200
Overall Mean	3.937	1.062

According to the finding in relation to increase in sales the respondent rated their business to be doing well to a great extent ($M=4.27$ $SD=0.936$) while the number of employee has increased to a moderate extent ($3.68, SD=1.085$) There is minimal waste reduction to a great extent ($M=4.18$, $SD=0.954$) and the business is able to open other branches to a moderate extent ($M=3.86, SD=1.068$). The performance parameter rated the number of customer has increased to a moderate extent ($M=3.79, SD=1.132$) and the business is able to maintain customer to a moderate extent ($M=3.84, SD=1.200$). Overall the business in Kiambu County were rated to be doing well to Moderate extent ($M=3.937, SD=1.062$)

According to the finding there is increase in sales to a great extent which will enhance increase in profit. Increase in profit has been widely adopted as the model for measuring the performance of MSEs (Abare 2012). There is minimal wastage to a great extent and any product improvement and process improvement contribute on the performance of MSEs (Mensah 2013). The number of customer increase to a moderate extent and the business is able to maintain existing customer. Performance can be measured referring to how employees deliver their services and the relationship to customers (Wanjiku 2015).

4.8 Model Fitting

4.8.1 Regression Summary

A regression was conducted to determine the level of significance. The finding in table 4.21 shows an adjusted $R=0.507$ and the R^2 had a value of 0.257 or 25.7% which implies that 25.7% of business performance is attributed to access to finance, management skills, business regulation and access to business information. The remaining 74.3% attributed to business performance are covered by other factors not in this study or by chance. The summary is presented below in Table 4.21

TABLE 4. 21 Regression Summary

Model	R	R Square	Adjusted R Square	Std Error of the Est.
1	.507 ^a	.257	.248	.74619

a. Predictors: (Constant), business information, Management skills, Business regulations, access to finance

b. Dependent Variable: Performance of MSEs

4.8.2 Analysis of Variance (ANOVA)

Analysis of variance was also carried out to establish the significance of the regression model. From the variance table below the processed data which is the population parameter has a significant P value (0.000) less than level of significant (0.05) which imply the model is significant and the data is ideal for making a conclusion on the population parameter. The F computed (27.644) is greater than F-critical 3.884 hence significant. The result findings are presented below in Table 4.22

TABLE 4. 22 ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig
Regression	61.568	4	15.392	27.644	.0000
Residual	177.620	319	.557		
Total	239.188	323			

a Dependent Variable: Performance of MSEs

b Predictors: (Constant), business information, Management skills, Business regulations, access to finance

4.8 .3 Regression Coefficients

TABLE 4. 23 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		Sig
	B	Std Error	Beta	t	
(Constant)	3.201	.278		11.519	.000
Access to finance	.095	.036	.144	2.632	.009
Management skills	.051	.036	.077	1.409	.160
Business Regulations	-.061	.040	-.022	-.400	.690
Access to business information	.135	.046	.161	2.951	.003

A Dependent Variable: Performance of MSEs

The regression model linked the independent variables to the dependent variables as follows

$$Y = \beta_0 + \beta_1 X^1 + \beta_2 X^2 + \beta_3 X^3 + \beta_4 X^4 + \epsilon$$

Where

Y= Business Performance

X1=Access to finance

X2=Management skills

X3=Business Regulation

X4 = Access to business information

β_0 =Coefficient of the model

The resultant regression model was

$$Y=3.201 + 0.095X^1 +0.135X^4$$

The result of the regression equation shows that if the entire predictor variable were rated zero, business performance of MSEs in Kiambu County would be 3.201. From the study there is a positive and significant relationship between access to finance and MSEs performance in Kiambu County .This implies that a unit increase in access to finance will lead to improved business performance by a factor of 0.095 while a unit increase in access to business information would improve business performance by a factor of 0.135. Access to business information had 0.003 level of significant, Access to finance had 0.009 level of significant, while management skills had 0.160 and business regulation 0.690. Overall access to business information has a great influence on performance of MSEs followed by Access to finance while Management skills and business regulation are insignificant since they are above 0.05. Error term was assumed to be zero.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction.

The chapter present the summary and discussion of the key data finding for each objective, conclusion drawn on the finding highlighted and recommendation drawn were focused on addressing the objective of the study. The researcher then presents recommendation for future research and the major limitation of the study.

5.2 Summary of the finding

The purpose of this study was to determine factors that influence the performance of micro and small enterprises in Kiambu County. A descriptive survey research design was adopted to carry out the study. The study has a population of 4897 MSEs in Kiambu County and Krejcie & Morgan 1997 formula was used to pick a sample of 385 respondents. The study utilized primary data which was collected using questionnaires. The study managed to obtain 325 completed questioners representing 84.42 % response rate. A pilot test was conducted using 40 questionnaires to ensure reliability and validity of the data. The Statistical Package for Social Sciences (SPSS) version 20 was used for data analysis. The study data was analyzed for descriptive statistics using frequencies and percentages.

The study revealed that majority of the respondent (59.1 %) were female and majority of the respondent aged between 31-40 years and 41-50 years which implies majority of the entrepreneurs are youth and middle aged who seek employment on MSEs Majority of the respondent (41.2) has gone to school up to secondary school and (41.5%) to college and university. The study also revealed that majority of the business are sole proprietor (67.7 %) and the respondent are the owners (74. 86%).According to the finding majority of the respondent employ less than 10 employees and majority has been in business less than 5 years.

5..2.1 Access to finance

The study revealed that access to finance influence the performance of MSEs in Kiambu County to a great extent where majority of the respondent raise their finance from Micro Finance. Entrepreneur will always need finance to start up their business and also when they need to expand their business. This implies that majority of the respondent depend on their small savings whereby they are granted loans according to their savings. The study father revealed that they face challenges while accessing finance due to lack of collateral. Most of financial institution they take collateral as the primary lending condition. The bank lends at a high interest rate and also in a short time duration where they are supposed to pay within the time given. The respondent further felt that they have not benefited through uwezo fund, Youth Fund and women fund. This implies that despite the (GOK 2005) providing a situation of MSEs and emphasis the need for enterprises to be considered as the major sector that enhance economic growth and create employment many MSEs are not benefiting from the fund. They also felt that the government has not set up enough creative support to enable them to access finance which also influences the performance of MSEs.

5.2.2 Management skills

The study further revealed that availability of management skills affects the performance of MSEs in Kiambu County. The respondent felt that they lack the necessary training and skills to learn their business. Further they reported that entrepreneur training assist in business skills, productivity and environmental awareness. The study revealed that lack of management skills is a big challenge to the business and managerial experience assist in business performance. Majority of the respondent had an opinion that those with management skills are able to keep proper financial record which assist in business tracking.

5.2.3 Business regulation

According to the finding government regulation and policies influence the performance of MSEs to a moderate extent. The study revealed that most of the entrepreneurs are not able to meet the high trading standard and also to comply with business regulation is beyond entrepreneur ability. The respondent has to abide with the environmental regulation set up and failure to do so they pay penalty. Environmental regulation and hazardous substance has an impact on business performance. The respondent also felt that complex licensing and renewal of business permit is time consuming and the unpredictable changes in business policy and standard set up by the county government influence the performance of the business.

5.2.4 Access to business information

Further the study established that access to business information influence the performance of MSEs. The information is not readily available to the entrepreneurs and even the available information doesn't inform the respondent of the change in business environment and product. The study established that with high competition MSEs without business information are affected and those with wide variety of product emerge to a moderate extent. The respondent also felt that they lack market information and market creation opportunity about their product and also the customer need.

5.3 Conclusion

The result of the correlation analysis revealed that there was positive significant relationship between the access to finance and business performance of MSEs in Kiambu County with a coefficient of 0.095 and P value <0.05 . This implies that a positive change in access to finance would help improve the performance of MSEs in Kiambu County. Further according to the finding the correlation analysis revealed that there was positive significant relationship between access to business information and performance of MSEs in Kiambu County with a coefficient of 0.135 and p value <0.05 . This implies that the correlation between the two

variables is significant and an improvement in access to business information will lead to improvement in business performance in Kiambu County.

The study further reviewed that management skills has a coefficient of 0.051 and the p-value greater than 0.05 which implies that management skills is insignificant in the performance of MSEs in Kiambu County. The relationship between business regulation and performance of MSEs was found to be negative with a coefficient of -0.016. This implies that the correlation between the two variables is insignificant in performance of MSEs in Kiambu County.

5.4 Recommendations

According to the study finding majority of the respondent they prefer loans from micro finance friend and other sources as they encounter challenges to access finance from the bank due to strict requirement such as collateral requirement, high interest rate and processing cost. The study therefore recommends that banks and other credit issuing financial institution should implement some policies that make it easy for MSEs access finance. The County government should also come up with some creative support to help the entrepreneur to get finance and also the youth fund and Uwezo fund should be distributed fairly so that the entrepreneur can benefit from the fund.

According to the finding majority of the respondent they lack business information on marketing and about the new products. The government should organize seminars and training for MSEs. Other financial institutions like banks and micro finance should also educate the MSEs on marketing strategy and also on how to deal with their customers and other competitors.

The study revealed that majority of the respondent they lack the managerial skills to learn their business. The government should offer some supporting services to enhance management skills and knowledge so as to enable the entrepreneur to manage their business

and exploit the available business opportunities as well as being creative and innovative. This will also assist while making decision on new investment, proper record keeping and in business tracking. The study recommends that the government should create policies that should enhance the growth and performance of MSEs and ensure that the standards are not beyond entrepreneur's ability

5.5 Recommendations for future research

The research only covered four variables Access to finance, Management skills, Business regulation and business information to determine factor influencing the performance of MSEs a comparative study ought to be carried to examine other variables that are not covered under this study. The research only covered Micro and Small Enterprises in Kiambu County where us there are other Medium and large enterprises that need to be covered. The study recommends the study to be carried out in future since in every year new different MSEs are registered under different categories.

5.6 Limitation of the study

The study used stratified sampling technique to select a sample of 385 respondents in Kiambu County. It would be appropriate to use another sampling technique to get a large sample size The study was carried out only in Kiambu county the study need to be carried out in other counties in Kenya so as to establish the factor that influence the performance of MSEs. The current study used open and closed ended questionnaires to collect the data it would be appropriate other study to use other instrument tool to collect the data and establish factors that influence performance of MSEs in Kiambu County.

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APPENDICES

Appendix 1: Questionnaire for micro and small enterprises

I am a Master of commerce student at KCA University .I have designed the following questionnaire based on the above topic. I kindly request you answer the questions to the best of your knowledge. All information collected to this questionnaire is confidential and will only be used for this research.

Instruction: Indicate with a tick [] in the space provided.

Part A: General Information

1 The gender for the respondent

Male [] Female []

2 What is your age group?

Below20 years [] 21-30 Years []

31- 40 Years[] 41-50 Years []

Over 50 Years []

3 The level of education

None [] Primary school [] Secondary School [] University []

Others (specify).....

4 What is the legal status of your business?

Sole Proprietorship [] Partnership [] Limited Company []

Any others (specify).....

5 What is your status in the business?

The owner [] Manager [] Supervisor []

Any others (specify).....

6 How many years has your business been in operation?

1-5 Years [] 6-10 Years [] 11-15 Years [] 16-20 Years []

More than 20 Years []

7 How many employees do you have in your business?

None [] Less than 10 [] 11-20 []

More than 20 []

Part B: Access to finance

1 How do you raise your finance?

Friends [] Micro Finance institution [] Banks [] others []

2 To what extent does your business face challenges in accessing finance?

Very large extent []

Large extent []

Moderate extent []

Small extent []

No extent []

3 Indicate how much you agree with the following statement relating to access to finance and its influence on performance of micro and small enterprises by using a scale of 1-5 where 1 - Strongly disagree 2- Disagree 3- Neutral 4-Agree 5-Strongly Agree.

	1	2	3	4	5
On several occasion I have applied for the loan but the financial institution decline because I lack the collateral as the security for the loan.					
Financial institution insists on the provision of collateral security as their primary lending condition.					
The interest rate charged by the financial institution discourage us because they are very high.					
Financial institution lend on short term basis with credit processing cost and charges with high interest rate and this hinder MSEs from accessing finance from the institution.					
The government has some creative support toward the financial institution which make it easy for MSEs to access finance.					
MSEs has benefited through Youth fund, Uwezo fund and Women Fund established by the government.					

Part C: Management Skills

4 To what extent do management skills affect the performance of your business?

Very large extent []

Large extent []

Moderate extent []

Small extent []

No extent []

5 Indicate how much you agree with the following statement relating to Management Skills and its influence on performance of micro and small enterprises by using a scale of 1-5 where 1 -Strongly disagree 2- Disagree 3- Neutral 4-Agree 5-Strongly Agree

	1	2	3	4	5
Entrepreneurships training assist in business skills, productivity and environmental awareness.					
Many entrepreneurs lack the necessary training, skills and education to learn their business.					
Proper financial record will assist the business when they need to borrow loan from the financial institution as they will be able to produce leading proposal.					
Financial recording and proper documentation will keep business on track in terms of sales, monitoring cash flow and accurate tax returns.					
Owners who have been in the business for long and have managerial experience can learn their business without challenges					
Lack of managerial know how is a great challenge and entrepreneur cannot be able to compete with other competitors					

Part D :Business Regulation

6 To what extent do business regulations affect the performance of your business?

Very large extent []

Large extent []

Moderate extent []

Small extent []

No extent []

7 Indicate how much you agree with the following statement relating to Business regulation and its influence on performance of micro and small enterprises by using a scale of 1-5 where 1 -Strongly disagree 2- Disagree 3- Neutral 4-Agree 5-Strongly Agree

	1	2	3	4	5
Unpredictable changes in business policy and standard set up by the government					
MSEs are not able to meet high trading standard and policy, consumer rights and financial reporting due to cost and lack of record.					
Environmental regulation concerning the storage and use of hazardous substance are likely to have a great impact.					
MSEs has to abide with the environmental regulation set up by NEMA failure to do so they have to pay fine and penalty.					
Complex licensing and the renewal of business permits is time consuming.					
To comply with some business regulations especially on taxation, catering levy and high rates are costly and beyond entrepreneur ability.					

Part E :Access to business information

8 To what extent do Access to business information affect the performance of your business?

Very large extent []

Large extent []

Moderate extent []

Small extent []

No extent []

9 Indicate how much you agree with the following statement relating to access to business information and its influence on performance of micro and small enterprises by using a scale of 1-5 where 1 -Strongly disagree 2- Disagree 3- Neutral 4-Agree 5-Strongly Agree

	1	2	3	4	5
Most of the entrepreneur lack market information and market creation opportunity about their product and also the customer need.					
The business is capable of satisfying customer need while meeting other stakeholder expectation while having market information.					
With the high competition MSEs are affected and those with wide varieties of product emerge which leads to poor performance.					
The business is able to offer excellent good and services than its rival competitors					
Participation in business network activities increase access to information related to customer demand and new products.					
The business information available inform the entrepreneur any change in the business environment or any regulation through networking.					

Part F :Business performance

(10).Indicate how much you agree with the following statement relating to influence in business performance of micro and small enterprises by using a scale of 1-5 where 1 -Strongly disagree 2- Disagree 3- Neutral 4-Agree 5-Strongly Agree

	1	2	3	4	5
There is increase in sales and the business performance has improved					
The number of employee has increased and the business is able to offer conducive working environment.					
There is minimal waste reduction as all the product are sold and delivered on time.					
The business is able to open other branches due to business expansion					
The number of customer has increased do to excellent goods and services					
The business is able to maintain customer and also improve their services					

Appendix II: Target Population

Business Category	Business code	Description	Total MSEs
1	495	Other Agricultural, Forestry and Natural Resources	94
	415	Small Agricultural Producer/Processor/Dealer	298
2	695	Other Professional & Technical Services	610
	615	Small Professional Services Firm	341
	620	Independent Technical Operator:	77
3	556	Other eating house, catering	11
	555	Small Eating House; Snack Bar	54
	760	Small Entertainment Facility	15
	532	small hostels with up to 49 rooms	16
	527	Small Lodging House B/C Class:	25
	518	Small Lodging House with Restaurant and/ or Bar	20
	546	Small Restaurant with Bar Up to 10 customers	28
	544	Soup Kitchen(e.g.mutura, kichwa and soup)	15
	558	Butchery with Roasted Meat and/or Soup Kitchen	60
4	895	Other Manufacturer, Workshop, Factory, Contractor	89
	815	Small Industrial Plant: premises up to 100 m2.	55
	830	Small Workshop, Service Repair Contractorlydia123	347
5	395	Other Transport, Storage, and Communications	46
	315	Small Transport Company: From 2 to 5 vehicles	142
	365	Small Storage Facility: Up to 1,000 m2.	39
	320	Independent Transport Operator	68
6	705	Private Higher Education Institution: With between 300 to	25
	706	Private Higher Education Institution With over 500	10
	707	Private Higher Education Institution: Up to 299 students	39
	795	Other Education, Health, and Entertainment Services	32
	720	Small Private Educational Facility	150
	735	Small Private Health Facility	25
	745	Traditional Health Services, Herbalist, Traditional Healer, etc.	5
	740	Health Clinic/Doctors Surgery	212
	721	Driving schools	19
	725	Large Private Health Facility	21
7	295	Small Informal Sector services providers	210
	195	Kinyozi, saloon, milk bars and hawkers operating on 9m	456
	120	Kiosk,light or temporally construction less than 5m2	28
	618	Small security firms. Upto 49 guards	31
	115	Small Trader, Shop or Retail Service	1102
	114	General Retail Shop: From 17 m2 Upto 23	82
TOTAL			4879

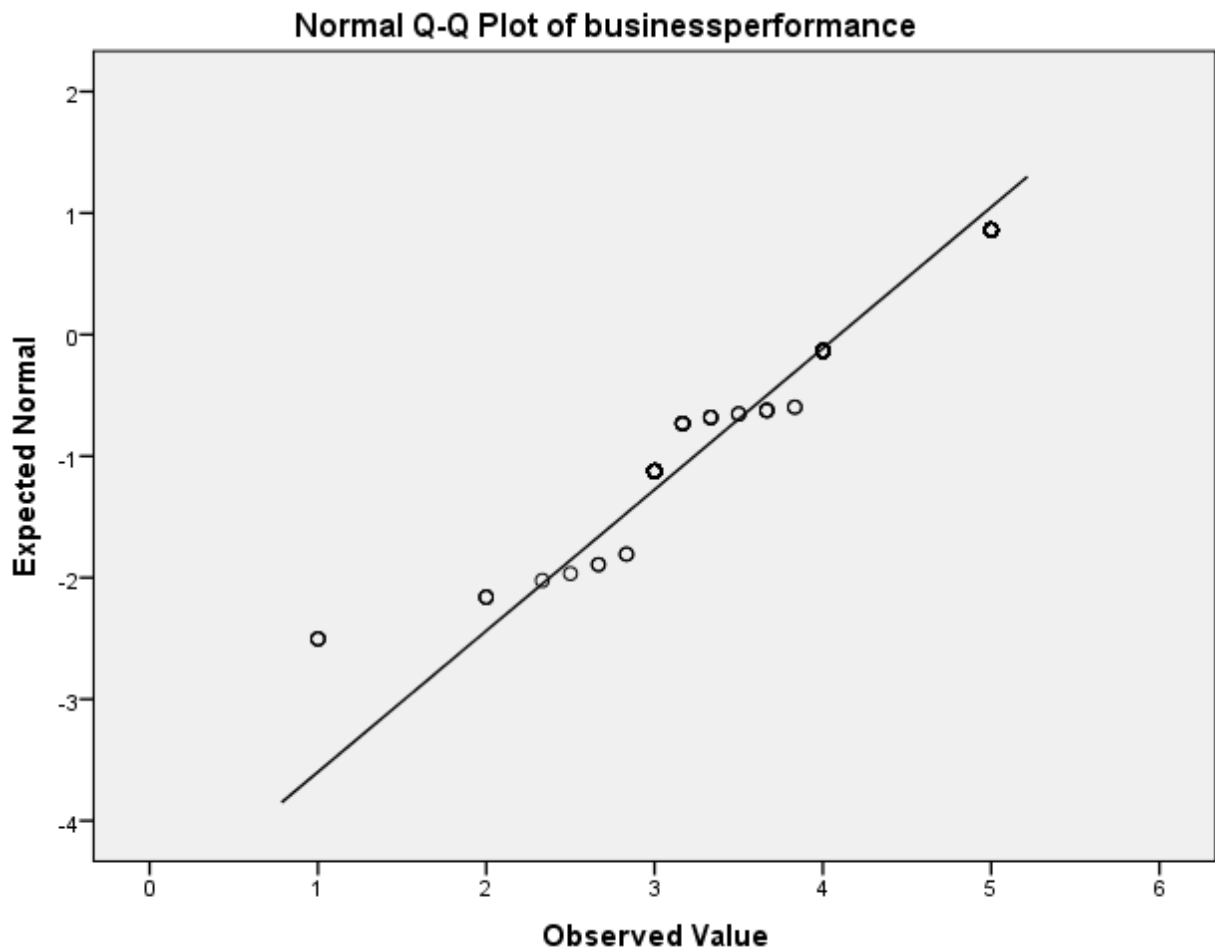
Source Kiambu County Business Registers 2018

Appendix III: Reliability Statistics

Cronbach's Alpha	N of Items
.891	36

Source: Author 2018

Appendix IV: Normality Test



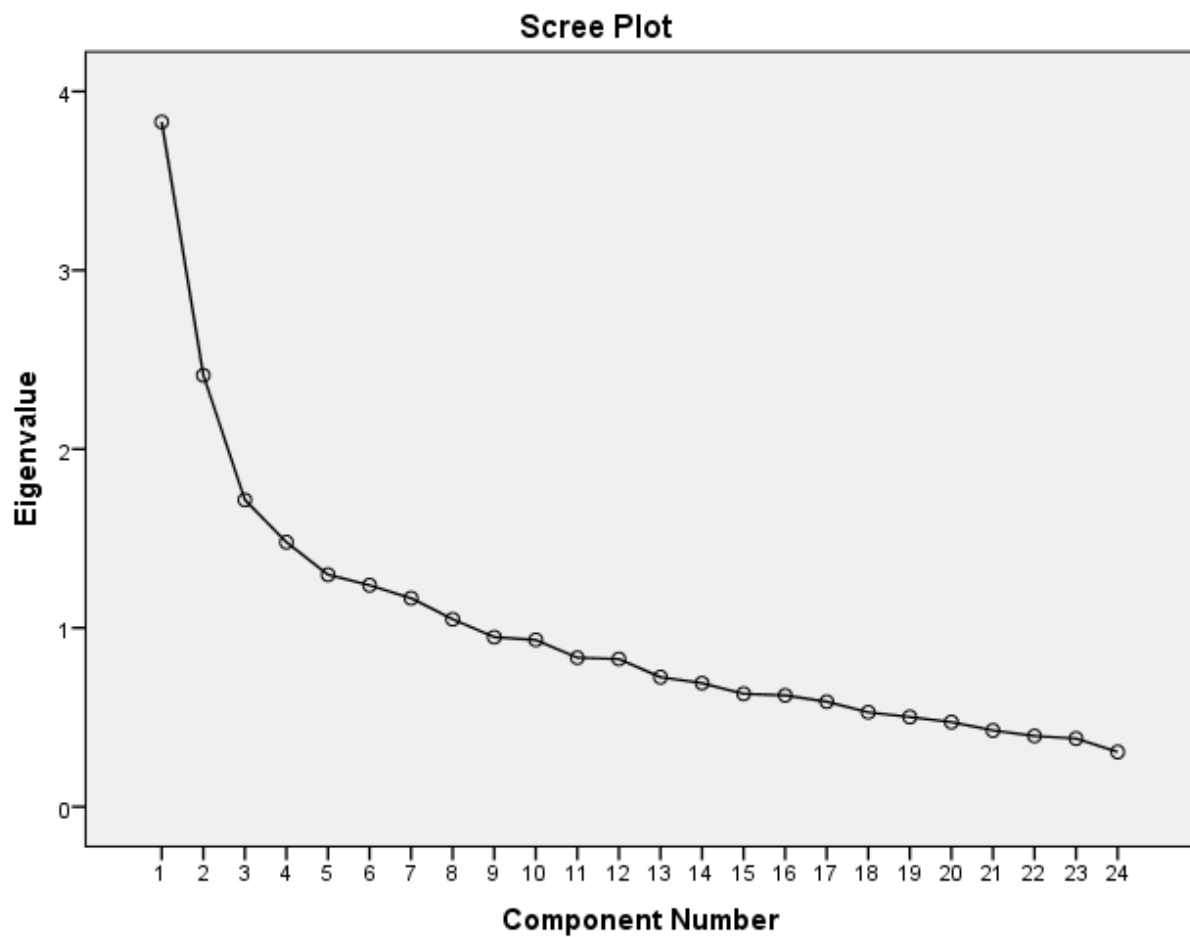
Source: Author 2018

Appendix V: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.891
Bartlett's Test of Sphericity	Approx. Chi-Square	3408.317
	df	276
	Sig.	.000

Source: Author 2018

Appendix VI: Scree Plot



Source: Author 2018

Appendix VII :Total Variance Explained

Comp onent	Total Variance Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.873	32.804	32.804	7.873	32.804	32.804	4.042	16.843	16.843
2	2.858	11.909	44.713	2.858	11.909	44.713	3.382	14.092	30.935
3	1.312	5.468	50.181	1.312	5.468	50.181	2.948	12.283	43.218
4	1.258	5.240	55.420	1.258	5.240	55.420	2.929	12.202	55.420
5	1.050	4.375	59.796						
6	.914	3.809	63.605						
7	.856	3.566	67.171						
8	.790	3.290	70.461						
9	.696	2.899	73.361						
10	.667	2.780	76.141						
11	.640	2.665	78.806						
12	.587	2.448	81.254						
13	.534	2.227	83.480						
14	.495	2.064	85.545						
15	.487	2.030	87.575						
16	.435	1.811	89.385						
17	.433	1.802	91.188						
18	.377	1.572	92.760						
19	.356	1.482	94.242						
20	.332	1.382	95.623						
21	.314	1.307	96.930						
22	.281	1.172	98.102						
23	.268	1.116	99.218						
24	.188	.782	100.000						

Extraction Method: Principal Component Analysis.

Source: Author 2018