FACTORS INFLUENCING PERFORMANCE OF MICRO AND SMALL ENTERPRISES: A CASE OF KISUMU CITY BUS PARK - KENYA

BY

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UNIVERSITY OF NAIROBI

2010
DECLARATION

This is my own original work and has not been submitted for any award in any other institution of higher learning.

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DEDICATION

This research project is dedicated to my grandfather the late Albert Boaz Nyang'or who had an unquenchable thirst for education even though he hardly went past standard three.

To my husband Joash for the constant encouragement and unwavering support, my brother Boaz, my sisters Mourine and Mary and my children Eugene, Jabez and Angel, God bless you all.
ACKNOWLEDGEMENT

This research project would not have been successful without the assistance from a number of people and institutions. I would like to express my deepest appreciation to my two supervisors: Dr. Raphael Ondeko Nyonje and Dr. Samwel Mwanda for their support and encouragement; they patiently read through my draft report and offered valuable suggestions; Mr Richard Olima for his invaluable input and finally to my employer KCA University for providing an enabling environment and facilities that enabled me carry out sufficient Literature Review for this report. I am also indebted to staff at the Kisumu Municipal Council for availing data on MSEs in Kisumu town.
ABSTRACT
Governments worldwide have acknowledged the impact of Micro and Small Enterprises (MSEs) on job creation, improvement of people’s standards of living and hence an overall impact on the economy. The important role played by the informal sector in most economies in less developed countries is now recognized by governments and international agencies. However, enterprises in the informal sector continue to encounter various barriers that prevent them from attaining their full potential. This study sought to establish the factors that influence the performance of MSEs in Kisumu city. It attempted to identify the extent to which the socio-cultural background of the entrepreneur influences the performance of an MSE and how performance of MSEs is associated with the characteristics of the business. It also examined the Government Policy and Legislative processes that influence the performance of the MSE sector.

A descriptive Survey employing the use of questionnaires, an interview and observation schedules were used to collect data from a sample size of 286 Micro and small enterprises picked from a population of 1300 operating within and around a 400 metre radius of Kisumu City’s main bus Park. They were selected using stratified sampling, and purposive sampling techniques. Data was analyzed using descriptive statistics such as frequencies and percentages. Chi Square tests were used to test the significance of associations between selected variables. The findings were displayed in percentages, frequencies, figures and tables. This study revealed that certain characteristics of the enterprise and the socio-cultural background of the entrepreneur have an impact on MSE performance; thus given a conducive environment and adequate support, the MSE entrepreneurs in Kisumu can realise their full potential and maximise their contribution to the country’s economic development. The study also demonstrates that with the installation of basic infrastructure, and the elimination of both rigid regulations and the threat of demolition, the enterprises perform more efficiently. This highlights the need for urban planners to allocate land and provide basic infrastructure for the informal sector.
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<th>Description</th>
</tr>
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<tbody>
<tr>
<td>BERR</td>
<td>Business Enterprise and Regulatory Reform</td>
</tr>
<tr>
<td>CBS</td>
<td>Central Bureau of Statistics</td>
</tr>
<tr>
<td>DF</td>
<td>Degrees of Freedom</td>
</tr>
<tr>
<td>DMSED</td>
<td>Department of Micro and Small-Enterprise Development</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
</tr>
<tr>
<td>ICEG</td>
<td>International Centre for Economic Growth</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>KANU</td>
<td>Kenya African National Union</td>
</tr>
<tr>
<td>KNBS</td>
<td>Kenya National Bureau of Statistics</td>
</tr>
<tr>
<td>KSHS</td>
<td>Kenya Shillings</td>
</tr>
<tr>
<td>MEs</td>
<td>Micro Enterprises</td>
</tr>
<tr>
<td>MSEs</td>
<td>Micro and Small Enterprises</td>
</tr>
<tr>
<td>MSMEs</td>
<td>Micro Small and Medium enterprises</td>
</tr>
<tr>
<td>MOYA</td>
<td>Ministry of Youth Affairs</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non-Governmental Organizations</td>
</tr>
<tr>
<td>NFPP</td>
<td>Non Financial Promotional Programmes</td>
</tr>
<tr>
<td>ROK</td>
<td>Republic of Kenya</td>
</tr>
<tr>
<td>ROSCAS</td>
<td>Rotating Savings and Credit Associations</td>
</tr>
<tr>
<td>SACCOS</td>
<td>Savings and Credit Cooperative Societies</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>SAPs</td>
<td>Structural Adjustment Programmes</td>
</tr>
<tr>
<td>SED</td>
<td>Small Enterprise Development</td>
</tr>
<tr>
<td>MSEs</td>
<td>Micro and small enterprises</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Aid</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
</tbody>
</table>
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Micro and Small Enterprises (MSEs) comprise businesses employing between one and forty-nine workers; operate in all sectors of the economy, that is, manufacturing, trade and service subsectors. They range from unregistered, also known as Jua Kali enterprises, to the registered (or formalized) small-scale businesses, such as supermarkets, wholesale shops and transport companies. Capital invested in them varies from as little as ten thousand Kenyan shillings to over 5 million Kenyan shillings depending on the nature of the business (Stevenson and St-Onge, 2005). In Kenya the 1999 Micro and Small Enterprises baseline survey revealed that there were about 1.3 million micro and small scale enterprises employing 2.3 million people (Central Bureau of Statistics, 1999). Micro and small enterprises (MSEs) play an important economic role in many countries. Over the past 10 years, economic planners have realized the importance of the small enterprise sector in achieving economic development. Many governments and development organizations have focused on the promotion of MSEs as a way of encouraging broader participation in the private sector. (Stevenson and St-Onge, 2005).

Micro, small and medium-sized enterprises (MSMEs) play a central role in the European economy. They are a major source of entrepreneurial skills, innovation and employment. In the enlarged European Union of 25 countries, some 23 million MSMEs provide around 75 million jobs and represent 99% of all enterprises. (European Commission, 2005) For instance in Britain; MSEs are the backbone of the British economy.
According to the Department for Business, Enterprise & Regulatory Reform (BERR)'s Enterprise Directorate Analytical Unit in the UK, the UK economy is 99% MSEs employing 14.23m people, out of a working population of approximately 30 million. In terms of UK turnover and Gross Domestic Product (GDP), UK MSEs account for 1.48 trillion sterling (British Pounds). MSEs (with at least 1 employee) outperform the large UK Corporations in terms of productivity despite having minimal resources, little support and being largely ignored. Large UK Corporations of 250 employees and over account for 52% of employment but less only 50.8% of UK turnover (ibid), thus the UK economy is supported by MSE performance, and improving performance will have a substantially positive effect on the entire UK economy. Similarly, Small and medium-sized enterprises (MSEs) are the backbone of Singapore's economy, contributing 47% of the country's GDP and generating 62% of available jobs (Rowe, 2008).

The promotion of MSEs and, especially, those in the informal sector is viewed as a viable approach to sustainable development because it suits the resources in Africa. MSEs are the main source of employment in developed and developing countries alike. They comprising over 90% of African business operations and contribute to over 50% of African employment and GDP (Okafor, 2006).

However many MSEs remain outside the formal banking sectors yet they play a key role in the economy of many countries. In Kenya, they create employment at low levels of investment per job. They lead to increased participation of indigenous people in the economy, use mainly local resources and promote the creation and use of local technologies, and provide skills training at a low cost to society (ILO, 1989). Estimates are that there were about 900,000 Micro and small enterprises establishments employing 2 million Kenyans and generating about 14 per cent of the country's GDP. It is also stated
that in Kenya this sector accounted for 20% of the GDP in 1999 (Central Bureau of
Statistics, 1999) and 64% of the urban employment by 2002 (Karekezi and Majoro, 2002). The sector contributed over 50 percent of new jobs created in the year 2005. In addition to its importance in creating jobs, the small enterprise sector contributes 33% of the value-added in manufacturing and the retail trade in Kenya (Onyango and Tomecko, 2008).

Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). However, it is generally recognized that MSEs face unique problems, which affect their growth and profitability and, hence, diminish their ability to contribute effectively to sustainable development. Many of the problems cited have implications for technology choice. These problems include lack of access to credit, inadequate managerial and technical skills, and low levels of education, poor market information, inhibitive regulatory environments, and lack of access to technology (Harper 1974; ILO, 1989; House et al. 1991). Infrastructure as it relates to provision of access roads, adequate power, water, sewerage and telecommunication has been a major constraint in the development of MSEs (Bokea, Dondo and Mutiso, 1999). According to Amyx (2005), one of the most significant challenges is the negative perception towards MSEs. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Lack of planning, improper financing and poor management have been cited as the main causes of failure of small enterprises (Longenecker, et al., 2006).

As with many developing countries, there is limited research and scholarly studies about the MSEs sector in Kenya particularly MSEs in Kisumu town. According to an MSE National Baseline Survey (1999), fifty six per cent of formal businesses are located in the
Nairobi region. On the other hand, informal sector enterprises are more widely distributed, with the majority found in the rural areas. This survey highlighted the regional distribution of enterprises in Kenya. However this data is generalized and does not give information specific to Kisumu town. (See the table 1.1):

Table 1.1: Informal, Micro and Small Enterprises

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of Enterprises</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nairobi and Mombasa</td>
<td>223,668</td>
<td>13.3</td>
</tr>
<tr>
<td>Other Major Towns</td>
<td>183,144</td>
<td>10.9</td>
</tr>
<tr>
<td>Rural towns</td>
<td>95,720</td>
<td>5.7</td>
</tr>
<tr>
<td>Rural Areas</td>
<td>1,177,326</td>
<td>70.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,679,858</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


According to Table 1.1 above, almost two-thirds of all MSEs are located in the rural areas and only one-third are found in urban areas (even when urban areas are defined to include small rural towns). Of these, about 17 per cent are located in Nairobi and Mombasa. Other major towns account for 10.9% of the total MSEs in Kenya. Such towns include Kisumu, Eldoret and Nakuru. Since independence in 1963 the Kenyan government has recognized that the informal sector has potential in employment and wealth creation. The Government of Kenya has therefore continued to react positively by facilitating MSEs to generate sustainable employment and income by formulating various policies to address constraints affecting the sector. Various policy papers have been developed over the years to facilitate the growth of this sector; key among them include:

Sessional Paper No 10, 1965 on “African Socialism and its Application to Planning in Kenya which set the pace in the introduction of small enterprises in the economy. The paper sought to indigenize the economy by encouraging foreign enterprises to equip
Kenyan Africans with necessary skills through training and apprenticeship programmes to enable them operate private business. (ROK, 1965) Sessional Paper No 10, 1973 on Employment attempted to assist small enterprises to access working sites, credit, managerial and technical services, skill upgrading and business training services while Sessional Paper No 5. of 1982 on “Science and Technology for Development” recognized that Science and Technology provides the knowledge with which to identify opportunities and to increase growth rates (by making capital and labour more productive). The Paper recommended that the Government of Kenya should deliberately, but conscientiously expand its research system to cover all sectors of the economy. It also recommended increased levels of funding to 1% of GDP for Research and Experimental Development, acquisition and Transfer of Technology Policy and capacity Building for Technological transformation. (ROK, 1973 & 1982)

Sessional Paper No 2, 1985 on Unemployment appreciated the importance of the MSE sector in the economy and sought to encourage it to expand. It however fell short of providing concrete solutions to the sector’s accessibility to credit, technical and marketing assistance (ROK, 1985). On the other hand, Sessional Paper No 1, 1986 on Economic Management for renewed Growth together with The Sixth National Development Plan (1989-1993) tried to accelerate MSE growth by seeking to amend the rules and regulations that inhibit MSES, limit unfair trade practices by large scale firms, change cost-price relations in favor of MSES and address constraints that limit access of MSES to finance and credit.

Sessional Paper No 2 of 1992 on “Small Enterprise and Jua Kali Development in Kenya” was released to address similar problems affecting MSES. However, it emphasized on the creation of an enabling legal and regulatory environments that support the sector’s
graduation into formal sector while Sessional Paper No 2 of 1996 on "Industrial Transformation to the Year 2020" proposed measures to remove bottlenecks that hinder the potential of MSEs in serving as seed beds for industrialization. It also proposed a review of government procurement regulations and procedures to allow MSEs to provide goods and services to Government and rationalized the licensing regime to make it simpler and cheaper (ROK, 1992 & 1996).

The Economic Recovery Strategy for Wealth and Employment Creation (2003-2007) blueprint was meant to address the challenges of employment and wealth creation; and poverty reduction. It emphasized on the desire to facilitate MSEs to graduate in employment size. This was further strengthened by the release of Sessional Paper No.2, 2005, on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction, which sought to enhance the capacity of MSEs to generate wealth as well as durable and decent jobs (ROK, 2005).

Various studies have identified various factors that affect the performance of micro and small businesses for example lack of capital, lack of experience, education, family members, skill, knowledge, support networks, financial support and the socio cultural background of the entrepreneurs (Thapa, 2007), Lussiers and Pfeifer (2001), Hisrich (1990). This study limits itself to factors that are specific to the business owner such as age, gender, religion, level of education, experience, marital status and family size as well as factors specific to the business itself such as the sector, origin and type of the business. Given the importance of MSEs to the Kenyan economy and the exposure to risks owing to their location, there was need to conduct this study to investigate the factors influencing the performance of MSEs in Kisumu City and to understand how MSEs manage the challenges that they face.
1.2 Statement of the Problem

The Micro and Small Enterprise sector (MSE) has been recognized throughout developing countries as an engine to development and as a vehicle towards fulfilling the Millenium Development Goals (MDGs) adapted in the UN Millennium Summit in 2000. Chief among these goals is the reduction of poverty and the assistance of developing countries in the areas of wealth creation and the improvement of living standards. The importance of MSEs in social and economic development has long been recognized by the ILO and hence the need to support their viability, expansion and growth. In Kenya, over sixty percent of small businesses are estimated to fail each year (Kenya National Bureau of Statistics, 2007). Mead (1998) observed that the health of the economy as a whole has a strong relationship with the health and nature of MSEs. However, despite government efforts in Kenya to promote MSEs activity, not much progress seems to have been achieved, judging by the performance of the informal sector. Unfortunately, there is very little information on how the small business sector is structured. Starting and operating a small business includes a possibility of success as well as failure. Because of their small size and the exposure to risks owing to their location, a simple management mistake is likely to lead to sure death of a small enterprise hence no opportunity to learn from its past mistakes.

According to the Department of Micro- and Small-Enterprise Development (DMSED) in the Ministry of Labour and Human Resource Development in Kenya there were about 2.8 million MSEs employing 5.1 million people in 2002 (Stevenson and St-Onge, 2005). The dramatic increase in the contribution of MSEs to employment was largely attributed to retrenchment in both public and private sectors. However, even with
this growing percentage, not many micro-enterprises grow into small-scale enterprises to significantly contribute to employment creation and economic growth.

This study therefore sought to investigate the extent to which the socio cultural background of the entrepreneur as well as certain characteristics of the business influence the performance of small businesses in order to develop an understanding of the dynamics of MSEs not only for the development of support programmes and growth strategies for MSEs, but also for the growth of the economy as a whole. Such information is crucial in the evolution of appropriate policies for promoting MSEs development and increasing the sector’s impact on poverty reduction and overall development. The significant role of small business in the Kenya economy suggests that an understanding of their characteristics such as sector, type and origin as well the challenges that they face is crucial to the stability and health of the economy. This will promote adoption of necessary measures and a plan of action to regulate this sector. Thus an investigation of the factors that influence the performance of MSEs was necessary.

1.3 Purpose of the Study

The purpose of this study was to investigate factors influencing the performance of MSEs in Kisumu City.

1.4 Objectives of the Study

The study was guided by the following objectives:

1. To investigate the socio-cultural background of entrepreneurs that influences the performance of their businesses
2. To determine the relationship between selected characteristics of MSEs in the trade and service sectors in Kisumu City and their performance

3. To examine the influence of legislations and Policy on the performance of MSEs in Kisumu city

4. To establish the challenges facing MSEs in Kisumu City and how these challenges influence their performance.

5. To determine the strategies employed by MSEs in countering the challenges influencing their performance.

1.5. Research Questions

The study was guided by the following research questions:

1. To what extent does the socio-cultural background of an entrepreneur affect the performance of the business enterprise in Kisumu City?

2. What is the relationship between selected characteristics of MSEs in the trade and service sector in Kisumu City and their performance?

3. How does Government Policy and legislative processes impact on the performance of MSEs in Kisumu City?

4. What challenges do entrepreneurs operating MSEs in Kisumu face?

5. What strategies do MSEs employ in countering the challenges influencing their performance?

1.6 Research Hypothesis

The following hypotheses were developed to further analyse research question one and two.

1. There is a relationship between the gender of the entrepreneurs and the performance of their enterprises in Kisumu Bus Park
2. There is a relationship between the level of education of the entrepreneurs and the performance of their enterprises in Kisumu Bus Park

3. There is a relationship between the family size of the entrepreneurs and the performance of their enterprises in Kisumu Bus Park

4. There is a relationship between the business sector and the performance of the businesses in Kisumu Bus Park

5. There is a relationship between the business type and the performance of the businesses in Kisumu Bus Park

6. There is a relationship between the origin of the business and the performance of the businesses in Kisumu Bus Park

1.7 Significance of the Study

It is hoped that the study results will be used by the Government through the Ministries of Youth Affairs (MOYA), Gender and social services in developing policies for the disbursement of the Youth and Women funds to the small businesses. The Municipal Council of Kisumu might also find the results of this study useful in developing polices and strategies that will guide the planning for and location of MSES within Kisumu city and other urban areas in Kenya. Non Governmental Organizations (NGOs) and other Development Partners dealing with poverty eradication will also find the report useful as it will guide them on how to allocate resources and aid for the sector. It is hoped that the results of this study will be disseminated in workshops and published and stored in Libraries thus I will contribute to the stock of knowledge.
1.8 Limitations of the Study

The haphazard and disorganized nature of the businesses operating within and around the bus park hampered the proper and timely collection of data. This was overcome by engaging six research assistants who collected the data to ensure that all the sectors are captured in the study.

1.9 Delimitations of the Study

The study was delimited to MSEs operating within Kisumu main bus park as it has a conglomeration of many MSEs of different types. Kisumu bus stage is more accessible and convenient for this study as it brings together various types of businesses within a small area. The study was also delimited to the use of questionnaires, interviews and an observation schedule. The study sought information from the revenue officer at the municipal council of Kisumu and the market and bus park superintendents. This was because they are the ones who had the information sought by the study.

1.10 Basic Assumptions of the Study

The study was based on the following assumptions;

It was assumed that all businesses operating within the bus park have duly been registered and are thus operating legally. It was also assumed that the licensing office records of the Kisumu Municipality were updated and thus were appropriate to use to draw a representative sample

1.11. Definition of Significant Terms

According to this study,

Factors refers to entrepreneur’s socio cultural background and selected business characteristics
Small Enterprises refers to enterprises with 11 to 49 employees
Micro Enterprises refers to enterprises with 1 to 10 employees
Socio cultural background refers to age, marital status, religion, education, gender, family size, experience of the MSE owner
Selected Business characteristics refers to origin, type and sector of the business
Origin of the Business refers to whether a business was established or inherited
High performing enterprises refers to MSEs generating daily revenues above Ksh 600
Low performing enterprises refers to MSEs generating daily revenues below Ksh 100
Business Type refers to Sole proprietorship or partnership
Business sector transport, groceries, retail shops, services and boutiques
Support Groups informal associations (Merry go rounds)

1.12 Organization of the Study

This project research report is organized into five chapters: Chapter one which is the introductory chapter deals with the introduction, problem statement, purpose of the study, objectives of the study, the research questions, the study hypotheses, significance of the study, limitations and delimitations of the study, basic assumptions of the study, definition of significant terms and the organization of the study. Chapter two contains the review of related literature. This is presented in three main themes: factors that relate to the enterprise, factors related to the entrepreneur; the challenges facing entrepreneurs and the strategies that they adopt to counter the challenges. It also contains the perceived
theoretical and conceptual framework. Chapter three contains the methodology that was used to answer the research questions and subsequently the research objectives. Chapter four covers the data presentation and analysis using charts, graphs and tables whereas chapter five covers the interpretation of the results, conclusion, recommendation and areas of further study.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviews the available related literature. The literature is reviewed under the following headings: Socio-cultural factors influencing MSEs, characteristics of MSEs, legislative processes of MSEs, challenges facing MSEs and strategies employed by entrepreneurs in countering the challenges.

2.2 Impact of the Socio-Cultural Background of an Entrepreneur on the Business

Berryman (1982) suggested that the personal characteristics of the business owner interacting with managerial defects produce weaknesses in the firm. Theng and Boon as quoted in Perry and Pendleton (1983) did an exploratory study on factors, which affect the failure of local small and medium enterprises and found that the entrepreneurs' personal attributes and shortcomings had a significant impact on the performance of a business enterprise. This study dwelt on socio-cultural factors such as age, level of education, religion, experience, gender, family status and size in order to determine the extent to which these factors affect business performance.

2.2.1 Impact of Entrepreneur's Age on Business Performance

According to Bonte et al, (2009) Empirical studies based on individual data have found an inverse U-shaped relationship between age and the decision to start a business. Using changes in the age distribution of the population of western German regions over time, they found—in accordance with micro level analyses—an inverse U-shaped relationship between the regional age structure and start-up activity in a region. Moreover, their findings suggest that the age-specific likelihood of becoming an entrepreneur changes.
with the size of the age cohort, pointing to the existence of a relationship between the age of the entrepreneur and the performance of the enterprise.

Although Zimmerrer and Scarborough (1998) point out that most of entrepreneurs in the United States start business during their 30s and 40s, many researchers found that there is no limit of age for their entrepreneurial aspirations. Age variation at the start of business seems to have no direct relation to business success. According to Staw (1991), at the start of any business age is not a decisive factor, but with enough training and preparation, the earlier someone starts business the better. Staw (1991) also notes that age is related to business success if it includes both chronological age and entrepreneurial age. This means that the older an entrepreneur is, the more experiences in business he has. Age thus implies extensive experience. A recent baseline survey of small businesses shows that female ownership, informality and sole proprietorship have negative effects on the ability to generate revenue. Such ability, however, increases with the entrepreneur’s age, educational achievement and membership in business support groups (Kimuyu, 2008).

It is an observed factor that young people are very aggressive, impatient and ready to take risk. Hence this factor may influence on business practices of entrepreneurs. The individuals are socialized to behave in ways that meet with the approval of their role set. To take an example, a young person with a business owning parent may well be expected to join the family business and not to do so would create a vacuum in the business. If we accept that entrepreneurs require ideas, opportunities, resources skills and motivation for success, then the social structures and situations to which they are exposed will impact on the choice process. Gaskil and Auken,(1993) found that actual and perceived entrepreneurial skills are acquired overtime and consequently age has an impact on entrepreneurship. For example it has been suggested that many people age thirty or less
may not have acquired sufficient organizational experience while those age forty five or more may no longer posses the acquired energy. However, Longenelker (2006) found that there are no hard and fast rules concerning the right age for starting a business. This study therefore seeks to establish the relationship between the age of the business owner and the success or failure of the business.

2.2.2 Relationship of Experience and Business Performance

Ninety percent of business failures are associated with "management inadequacy", which consist of either management inexperience or incompetence (Perry and Pendleton, 1983). Many MSE owners or managers lack managerial training and experience. Staw (1991) asserts that experience is the best predictor of business success, especially when the new business is related to earlier business experiences. Entrepreneurs with vast experiences in managing business are more capable of finding ways to open new business compared to employees with different career pathways.

The importance of experience for small-scale business success is also underscored by other experts. Zimmerer and Scar-borough, (1998) note that prominent reasons behind business failures are managerial and experiential incapacities. Meng and Liang, (1996) found that 30% of successful entrepreneurs have no work experiences, compared to just 3% of unsuccessful entrepreneurs (significant at $p = 0.01$). This means that experience is not critically important for business performance.

2.2.3 Impact of Education on Performance of Small Businesses

Education and skills are needed to run micro and small enterprises. Research shows that majority of the lot carrying out micro and small enterprises in Kenya are not quite well
equipped in terms of education and skills. Majority of those who run MSEs are
the ordinary lot whose educational background is wanting. Hence they may not be well
equipped to carry out managerial routines for their enterprises. King and McGrath, (2002)
in their study noted that those with more education and training are more likely to be
successful in the MSE sector. As such, for small businesses to do well in Kenya,
entrepreneurs need to be well equipped in terms of skills and management. MSEs in ICT
appear to be doing well with the sprouting of many commercial colleges offering various
computer applications. Further, studies show that most of those running MSEs in the ICT
sector have at least attained college level education (Wanjohi and Mugure, 2008).

As culture is a learned behaviour, formal, non formal and informal education plays
an important role in transferring cultural values from one generation to another. However,
Hagen (1962) said that education plays a subsidiary role in promoting entrepreneurship,
because entrepreneurs are born. It is often articulated that the supply of entrepreneurs will
ultimately be increased more if awareness of the feasibility and desirability of starting a
business is established at a young age. Thus education system is assisted to foster support
and encourage those interested in knowing what it is like to run a business. In Sri Lanka,
Sudatta (1996) noted that, most of the successful entrepreneurs have not gone through
higher education or formal courses in entrepreneurship. Studies also show that, only a few
of the entrepreneurs have had family business connections at the time they started a
business. Prior experience and skills gained through informal learning have been useful in
making a start.

A study conducted by Meng and Liang (1996) involving entrepreneurs in
Singapore disclosed that successful entrepreneurs have higher education levels compared
to that of unsuccessful entrepreneurs \( (p = 0.01) \). Seventy percent of successful entrepreneurs are university graduated, while 23% are not. According to Meng and Liang (1996), Staw (1991), and Holt (1992), after entering the entrepreneurial world, those with higher levels of education are more successful because university education provides them with knowledge and modern managerial skills, making them more conscious of the reality of the business world and thus in a position to use their learning capability to manage business.

Similarly, Lussiers and Pfeifer (2001) also summarized that the entrepreneurs with higher education level and experiences have greater chances of succeeding than the people without education and experiences (quoted in Rose et. al., 2006). However, Minniti and Bygrave (2003) have stated that people with more education are not necessarily more entrepreneurial. Thapa (2007) in his study in Nepal has found that the education has positive effect on entrepreneurial success. This study will thus seek to establish the relationship between the educational levels of entrepreneurs and the performance of their businesses.

### 2.2.4 Impact of Gender on Performance of Business

A survey conducted by Wolf (2001) in South Africa, Kenya and Tanzania noted that MSEs provide employment to more than 50 per cent of the income-earning population. The study estimated that in Kenya small enterprises generate 12–14 per cent of the Gross Domestic Product (GDP). Kenya’s economic landscape also reflects the dominance of MSEs as the most dynamic aspect of the private sector (ibid.). One significant characteristic of the sector is that as it has grown, it has also become an important employer of the female labour force in the country.
According to the Kenya Rural Enterprise Programme and Central Bureau of Statistics (CBS) Baseline Survey conducted in 1999, the number of men and women owning micro-enterprises in Kenya was almost equal, at 670,727 enterprises owned by men compared to 612,848 owned by women accounting for 47.4 per cent of all those in MSEs. The results showed that women tended to operate enterprises associated with traditional women's roles, such as hairstyling, restaurants, hotels, retail shops and wholesale outlets. The survey also indicated that women tended to operate smaller MSEs than men and made less income than them.

As noted earlier, the 1999 Baseline Survey indicated that about half (52.6 per cent) of all employees are men and 47.4 per cent are women. This compared to the national employment statistics of 2003 and 2004 which indicated that only 30 per cent of the total workforce was made up of women. The MSEs sector, therefore, holds more promise for women in providing and accessing employment opportunities.

While government statistics indicate that, in recent years, the number of women-owned firms with employees has increased, even with this growth women remain under-represented in terms of their proportion of the high-growth firms.

2.2.5 Impact of the Entrepreneur's Religious Background on the Performance of the Businesses

Most of the cultural values in any society basically develop due to religion. It provides the philosophical foundation for beliefs and values. "There are two primary reasons for a study of religions in the world economy. One is that religion is a major element of the cultural environment. The second reason is that religion is a mainspring of culture, an inner determination of many of the external manifestation of culture."
Vern terpestra (1978) observed that in the Sri Lankan cultural context, the child rearing practices as well as values transmitted by the elders to the children have created a dependence syndrome making the child continuously depended on the family. Sri Lankan family based value system as well as religious values is not favourable in generating an individual achievement oriented work ethic similar to the Protestant work ethic of the west. According to this view, a man would prove his worth by accumulating wealth through hard work and this would qualify such a person to receive the grace of God.

Max Weber (1930) saw a consistent relationship between Protestant Religions, beliefs and the involvement of Protestants in whatever occupation they were engaged in. Weber stressed two factors. Firstly, the religious belief was that a man's primary responsibility was to do his best in whatever role God has assigned him in life rather than to withdraw from society and devote himself entirely to God, which was to be the highest deal as thought by the Roman Catholic Church. Secondly, the Protestants have believed that God determined in advance which souls should enter heaven, hence the belief that a man had a consistent effort to do his duty in the world not simply by good deeds, but by working hard. The Protestant ethic is considered as the driving force behind modern capitalism. The study sought to establish whether an entrepreneurs' religion has an impact on the performance of his business.

2.3 Influence of Selected Characteristics of MSEs in the Retail Sector on Performance

According to Vaessen (1995), many typical characteristics of MSEs are determined by factors like size of organization or independent ownership (family of small group of people), age and size of the business and its location. This study examined these factors to
determine the extent to which they impact on the performance of MSEs operating in Kisumu City's main bus park.

2.3.1 Impact of Age of the Firm on Business Performance

Study findings support consideration of age of an organization as a factor that may affect firm survival and growth and/or organizational decline and death. The liability of newness that makes new MSEs face a greater risk of survival than older firms is that new firms do not have the experience, access, links, reputation or the legitimacy of the older firms, leading to limited access to external resources (Amyx, 2005). McPherson (1995) confirms that enterprise size, as well as growth rates, are inversely related to the probability of closure.

2.3.2 Impact of Location of the Business on its Performance

Geographic location has its implications for access to markets and other resources like finance, skilled labour, subcontractors, infrastructure, distribution and transport logistics and other facilities. MSE success also depends on neighbourhood appearance and continued or maintained future business operations in that location Tustin, 2001 as quoted in Thapa et al (2007)

Orthodox regional development theory stresses that urban areas have favourable supply-side conditions for firm development. (Keeble, 1997) noted that, MSEs located in urban areas typically have a relative ease of access to customers and the inputs required (i.e. finance, premises, technology, etc.) to produce goods or services. MSEs located in urban areas may benefit from “agglomeration economies” and spatial externalities (i.e.
specialized infrastructures, information, network of suppliers, specialized labour, specialized knowledge, concentration of existing exporters, etc.) (Malmberg et al., 2000). Recently, Chevassus-Lozza and Galliano (2003) detected that urban firms benefiting from external agglomeration economies were more likely than rural firms to be exporters. However, the costs associated with most inputs are generally higher in urban areas, which may constrain MSE development.

Cortes (1987) suggested that enterprises located in urban areas might face different closure possibilities than their rural counterparts. However Caves (1998) in his study on factors influencing the performance of MSEs noted that home-based enterprises in commercial areas generated more income than similar enterprises in more remote areas.

North and Smallbone (2000) found that firms in remote rural areas were less active on various dimensions of innovation. This may be influenced by the fact that most rural areas have less well developed financial and business service sectors than urban areas. Further, lower awareness and usage of external business advice have been reported by firms located in rural areas (Keeble, 1997).

Orthodox regional development theory fails to adequately explain the counterfactual case of the existence of successful MSEs located in peripheral and resource-sparse environments, which can benefit from protective greenhouse conditions (i.e. lower densities of economic activity and a smaller number of potential competitors). While MSEs located in peripheral (and rural) areas may encounter greater resource constraints than urban MSEs, this environmental resource scarcity, according to Vaessen and Keeble (1995), in fact stimulates them to exhibit greater proactive entrepreneurial behavior. Tighter external selection pressures generally make it more difficult for a firm to be established in a resource-sparse environment. Further, only the best among potential
entrepreneurs may attempt to establish and develop businesses. This study sought to find out whether the location of a business has any influence on their performance.

2.4 Legislative Processes and Policy Framework

Ever since the ILO (1972) recognized the important role played by MSEs’ informal sector in employment creation, various policies have been put in place to promote establishment and growth of the sector. In Kenya, the major focus for this effort is the establishment of the Small Enterprise Development (SED) which is tasked with the role of creating an enabling environment for small enterprise growth including analysis and adjustments to the regulatory environment that has been a hindrance to prospective small business owners. Formal small enterprise development policy encompasses entrepreneurship development programs under a heading ‘Non-Financial Promotional Programs’ (NFPP). The other two aspects in SED policy are the provision of responsive small enterprise credit facilities and an examination of gender issues. Other policy initiatives include the following:

Sessional Paper Number 2 of 2005 (ROK 2005) on Development of Micro and Small enterprise for Wealth and Employment Creation for Poverty Reduction. This is the most recent policy instruments for MSEs and it notes, “MSEs have great potential for creating a variety of jobs, while generating widespread economic benefits.” The framework provides a more balanced policy in line with national goals of fostering economic growth, employment creation, income generation, poverty reduction and industrialization as stipulated the Poverty Reduction Strategy Paper and the Economic Recovery Strategy for Wealth and Employment Creation, 2003-2007.”(ROK 2003).

The Economic Recovery Strategy for Wealth and Employment Creation of 2003-2007 which led to an employment policy that was to create 500,000 jobs annually was to
focus on small business enterprises” (Republic of Kenya, 2003). The findings in the study by Wanjohi and Mugure (2008) indicated that the business environment is among the key factors that affect the growth of MSEs. Unpredictable government policies coupled with ‘grand corruption,’ high taxation rates, all continue to pose great threat, not only to the sustainability of MSEs but also to the Kenyan economy that was gaining momentum after decades of wastage during the KANU era.

According to Bowen et al. (2009), harassment from local officials is the major obstacle faced by proprietors in the informal sector in Nairobi, Kenya. Illegal enterprises are found in various parts of Nairobi, and even though the City Council is known to demolish these enterprises, proprietors often erect new ones in the same location or move to a different part of the city. This obstacle can be overcome if officials adopt an enabling approach which urges governments to organize proprietors, and to encourage them to follow regulations and safety standards as well as to participate in the planning, assistance and advocacy processes.

2.5 MSEs Access to Financial Support Services in Kenya

Support services to MSEs cover both financial and non-financial interventions provided to enhance the development and sustainability of the sector. According to the Baseline Survey of 1999, there were an estimated 260 organizations (private and public, national and international) with support programmes. In an attempt to understand the scope of these organizations, the 1999 MSE Survey enquired into the different types of assistance received by MSE operators. The operators cited both formal and informal assistance, and financial and non-financial assistance. In general, there seemed to have been a considerable support. The survey noted that the bulk of the MSEs credit (69.1 per cent) came from informal savings and credit associations, otherwise known as Rotating Savings and Credit
Associations (ROSCAS). This was in line with other findings that noted that only 4 per cent of accessed credit was obtained from formal financial channels, such as NGOs, microfinance schemes, commercial banks and Savings and Credit Cooperative Societies (SACCOS). At the same time, there were about 150 organizations with credit programmes for MSEs in Kenya; of these 130 were NGOs (CBS, 1999). These organizations serve all regions in the country although most of them are located in urban areas. This study was intended to establish whether the MSEs operating within Kisumu have access to credit facilities and if so, which institutions offer these credit facilities.

2.6 Challenges Facing MSEs in Kenya

It is generally recognized that MSEs face unique challenges, which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development. These include lack of managerial training and experience, inadequate education and skills, lack of credit, national policy and regulatory environment, technological change, poor infrastructure and scanty markets information. (Bowen et al, 2009).

According to Kobonyo et al (1999), other problems encountered by enterprises in the informal sector include the issue of legality, lack of infrastructure, substandard structures, and the threat of demolition. Informal enterprises are also considered an environmental hazard and urban planners argue that they can be a danger to the public, especially those that are carried out along roads and sidewalks. However, most of these problems would be eliminated if urban planners allocated land for the enterprises.

There are various other financial challenges that face small enterprises. They include the high cost of credit, high bank charges and fees. According to Wanjohi and Mugure, (2008), the scenario witnessed in Kenya particularly during the climaxing period
of the year 2008 testified the need for credit among the common and low earning entrepreneurs as numerous money lenders in the name of Pyramid schemes came up, promising hope among the ‘little investors’ only to dupe them. The rationale behind turning to these schemes among a good number of entrepreneurs was mainly to seek alternatives and soft credit with low interest rates while making profits. In most of the African nations, Kenya inclusive, the challenge of connecting indigenous small enterprises with foreign investors and speeding up technological upgrading still persists (Oketch, 2000). There is digital divide between the rural and urban Kenya. With no power supply in most of the rural areas, it is next to impossible to have Internet connectivity and access to information and networks that are core in any enterprise. Thus technological change, though meant to bring about economic change even among the rural lot, does not appear to answer to the plight of the rural entrepreneurs.

2.7 Theoretical Framework

In trying to establish the relationship between various factors that influence the performance of a business enterprise, the study adopted the Ecological Systems Theory, also called Development in Context or Human Ecology Theory. The theory was developed by Urie Bronfenbrenner, generally regarded as one of the world’s leading scholars in the field of developmental psychology (Bronfenbrenner 1979). It specifies five types of nested environmental systems, with bi-directional influences within and between the systems.

The five systems in Bronfenbrenner’s ecological theory are the microsystem, mesosystem, exosystem, macrosystem, and chronosystem. This study adapts four of the five systems advanced by Bronfenbrenner’s theory in order to explain how various factors influencing the performance of a business are related. The four systems adapted for this study are the Micro system, Meso system, exosystem and Macro system. In this study the
Micro system refers to the setting in which the business is located. The mesosystem on the other hand refers to relations between microsystems or connections between contexts. For this study factors such as the age of the entrepreneur, gender, level of education, religion, family status and size alongside the age of the business were examined to determine how they were inter related and how they influenced the performance of the enterprise.

Exosystem on the other hand involves links between a social setting in which the business does not have an active role in and the business's performance. The Legislative processes and the government Policy will influence how a business operates and thus affect its performance. For example, the levies charged on an MSE will at the end of the day determine how much that business makes in terms of profits. For this study the macro system context in which a business operates includes factors such as the type of business and form of ownership (established or inherited). The sector of the business is also examined in this system. Figure 2.1 further illustrates this framework.
This theory was thus used in this study to underscore the fact that for a business or enterprise to thrive, will depend on various factors such as its location, its size, its age and the socio cultural background of the entrepreneur. All these factors were found to be interrelated and have a degree of impact on whether a small or micro enterprise will succeed or fail.
2.8. Conceptual Framework

The Theoretical Framework was used to develop a conceptual framework which guided the study. This framework is presented in figure 2.2

Figure 2.2: The Conceptual Framework

In figure 2.2 above, the dependent variable for this study was the performance of the business enterprise. In this study the performance of the business was measured according to the daily revenues generated by the business. High performance was considered for those businesses that generated daily revenue of over Khs 600 while businesses that generated daily revenues of below Ksh 100 were seen as poor performers.
The performance of the business was seen to be depending on a number of factors (The independent variables). For this study the independent variables were: the socio cultural background of the entrepreneur, selected characteristics of the business and the policy and legislative processes. The socio cultural background examined factors such as age, gender, family size, marital status, level of education and experience in running a business. These factors influenced the entrepreneurs' adherence to local rules and By-Laws (policy) put in place to govern the running of businesses in this sector. They also had an impact on the type, sector and origin of business that an individual chose to engage in.

The second category of the independent variable was characteristics of the enterprise. These were found to have an impact on the performance of a business. These factors also had an influence on the socio cultural background of the entrepreneur. Government policies and legislative processes were also seen as independent variables as they were seen to have an impact on the overall performance of the business. The intervening variables were location of the business, markets information and training of the entrepreneur. This study sought to determine how all these factors interplay among themselves and how they affect the performance of the MSE sector in Kisumu.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used in conducting the study. This includes: The research design; target population, sampling design and techniques; research instruments for data collection; the research process; validity and reliability of the research instruments as well as data processing and analysis techniques.

3.2 Research Design

This study adopted the descriptive survey research design having been concerned with finding out factors influencing the performance of MSEs in Kisumu City. According to Mugenda & Mugenda (1999), survey is a method that studies large population (universe) by selecting and studying the samples from the population to discover the relative incidence, distribution and interrelations of sociological and psychological variables. This design was thus appropriate for this study as it sought to investigate the factors that affect the performance of micro and small enterprises.

3.3 Target Population

In this study the target population was all the 1300 MSE owners operating at the main bus park and extending to MSEs within a 400m radius from the stage. The study also targeted one municipal council revenue officer, the market superintendent and the bus superintendent. According to the Municipal Council of Kisumu there were 1300 MSEs operating within and around the main bus park (MCK, 2010). The study targeted those enterprises within the main bus park in Kisumu City because the main bus park has a
concentration of various MSE types and can thus be representative of most enterprise sectors in Kisumu Town.

3.4 Sample Size and Sampling Techniques

The selection of an appropriate sample size depends on a number of factors, including the purpose of the study, population size, the risk of selecting a "bad" sample, and the allowable sampling error (Israel, 1992). In this study Israel’s Sample Size Table was used to determine the appropriate sample size i.e. 286 from a population of 1300, this represented a 22% sample size. The table is attached in Appendix IV. According to the Municipal Council of Kisumu Revenue office (MCK, 2010) the businesses operating within and around the bus park are 1300. Purposive sampling was used to sample the Bus Park and Municipal Market superintendents.

Table 3.1 Sample Size According to Revenue Rates

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>NUMBER OF MSEs</th>
<th>SAMPLE SIZE</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stalls</td>
<td>844</td>
<td>186</td>
<td>64.92</td>
</tr>
<tr>
<td>Slabs</td>
<td>294</td>
<td>64</td>
<td>22.61</td>
</tr>
<tr>
<td>Others</td>
<td>162</td>
<td>36</td>
<td>12.46</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1300</td>
<td>286</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Municipal Council of Kisumu, Revenue Office, 2010

3.5 Description of Research Instruments

The study used questionnaires, key informant interviews, observation and document analysis as the main tools for collecting data.
Questionnaires

Gay (1996) explains that descriptive data are usually collected using questionnaires. Cohen and Manion (1998) also identified questionnaires and interviews as crucial instruments of data collection in descriptive research. This study adopted both the open ended and closed type of questionnaire, which was administered to the 286 micro and small enterprise owners by the research assistants who interviewed the respondents and recorded their responses. The questionnaire was structured into four sections with section one dealing with getting information on the socio-cultural background of the entrepreneur, section two gathered information related to certain characteristics of the business according to the reviewed literature. The third section covered information on the legislative processes and policy framework whereas the last section dealt with the challenges faced by the MSE entrepreneurs as well as strategies that they employ in dealing with the challenges.

Interviews

Key informant interviews were carried out at the offices of both the market and bus park superintendents. The interview schedule covered areas of policy, planning, enforcement of by-laws. The interview schedule provided additional information to that gathered by the questionnaire and also provided views on policies and regulations governing MSEs operations, and how the sector reacts to the regulatory environment.

Direct Observation

Direct observation method was used in this study to capture pertinent information regarding the location and organization of the market and bus park. The observation was guided by a structured protocol that gathered information regarding conditions of the
business environment as well as volume of business. This instrument captured the size, location, types and organization of the MSEs operating around the bus park.

These primary data was supplemented by secondary data derived from published books and articles, as well as unpublished annual reports and records from the department of trade.

3.5.1 Validity of the Instruments

Validity of research instruments ensure scientific usefulness of the findings arising thereof. It is the extent to which the instruments will capture what they purport to measure (Mugenda and Mugenda, 1999). To uphold content validity of this study, the researcher discussed the contents of the questionnaires with the supervisors before going to the field. These ensured that vague and unclear questions were eliminated or corrected.

A piloting was done on 50 MSEs, this was then given to the supervisors who read and made corrections and improvements by eliminating unnecessary items to ensure its validity.

3.5.2 Reliability of the Instruments

The Test- Retest method was used in this study to determine the reliability of the research instruments in which the same questionnaire was given to the same people after a period of time. A pilot study was done on 50 MSEs. 25 business owners were interviewed first using the questionnaires then after two weeks another 25 MSE owners were given the questionnaires to respond to. Their responses were used to calculate the consistency of the instrument using Pearson’s Product Moment Correlation Coefficient. From the analysis of the responses, a Pearson’s R value of 0.8 was realized. This value was considered high enough to judge the instrument as reliable. Carmines & Zeller (1979) assert that an instrument with an r- value above 0.5 is considered. The reliability of a research instrument
concerns the extent to which the instrument yields the same results on repeated trials. (Carmines & Zeller, 1979). The enumerators and research assistants were trained to ensure quality data is collected.

3.6 Data Collection Procedure

A permit to do the study was obtained from the Ministry of Higher Education and The University of Nairobi. Six research assistants were selected and trained to ensure they collect the correct information. The following general criteria were used for selecting enumerators and research assistants: completion of secondary schooling, fluency in the local language and aged between 20-40 years and a resident of Kisumu town for not less than 6 months preceding the study period. The research assistants participated in a two-day training exercise conducted by the principal investigator. During the training they familiarized themselves with the goals and objectives of the research, data collection tools as well as logistics and interview conditions. The training also included discussions of issues regarding the validity and reliability of the research tools, and translation of the questionnaire into the local language.

Data was collected soon after a permit was granted by the National Council for Science and Technology. 50 MSE owners were interviewed in a pilot study. Data from these respondents was analyzed and results interpreted for correctness of the research instruments. Appropriate modification was then done on the instruments. This was then followed by data collection. This was done by administering the questionnaires to entrepreneurs around the bus park. This was done in a period of three weeks. Observation was done throughout the period of data collection. An interview schedule for the bus park
and market superintendents was administered to gather more information about management of the business at and around Kisumu bus park.

3.7. Data Analysis Techniques

The data entry process started as soon as questionnaires came from the field. Qualitative data was analyzed manually by first summarizing the information gathered and followed by categorization and coding into emerging themes. The data was then analyzed using a statistical package for social scientist (SPSS) version 11.0 to increase the accuracy of the results and was presented in terms of percentages, frequencies and was presented in figures and tables. Testing of the Null hypotheses was done using Chi Square to test the degree of association or goodness of Fit. This was done at 0.05 level of Significance.

3.8 Ethical Considerations

Permission was sought from and granted by the National Council of Science and Technology and the University Of Nairobi Department Of Extra Mural Studies. Community consent was sought and obtained from both the Municipal Council of Kisumu Bus Park and Market Superintendents before data was collected from the MSEs located within the bus park. Oral consent was obtained from each respondent before any interview or discussion was conducted. Confidentiality was also assured to the respondents and was observed by ensuring that unauthorized persons had no access to the data collected. The respondents had the freedom to ignore items that they did not wish to respond to.
CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study which have been discussed under key sub sections in line with the research objectives. The overall purpose of the study was to investigate factors influencing the performance of MSEs in Kisumu City.

4.2 Questionnaire Return Rate

The study distributed questionnaires to 286 respondents who after being interviewed their responses were recorded hence the return rate of the questionnaire was 100%. This return rate was achieved by allocating research assistants 10 questionnaires each at any given moment. The researchers, who were paired, then approached the respondents one at a time and assisted them in filling in their responses and then left with the filled in questionnaires.

4.3 The Socio-Cultural Background of the Entrepreneurs and Performance of their Businesses.

The first objective of the study was to gather information to establish the influence of the socio cultural background of the MSE entrepreneur and the performance of his or her business. Thus information regarding the gender, age, religion, family size, marital status, level of education, and experience of the respondents was gathered.

4.3.1 Gender and Performance of the Business

To investigate the extent to which gender of the entrepreneur affects the business performance, the respondents were asked to state their gender and this was cross tabulated with their daily revenues. The results are presented in Table 4.1.
From Table 4.1, 60% of the females realized revenues of less than Ksh 100 as compared to 40% of the males. This was the same for revenues of Ksh 200 – 500. 49% of females realized revenues of Ksh 600 – 1000 as compared to 51% of their male counterparts. The female entrepreneurs did better than their male counterparts in realizing high revenues of over Ksh 1000 at 51%. This was in agreement with the Central Bureau of Statistics (CBS) Baseline Survey conducted in 1999 which revealed that the number of women and men owning small and medium enterprises was almost equal (Republic of Kenya 1999).

This data was further subjected through a chi square test to test the null hypothesis that:

$H_0$: There is no significant difference between the gender of the entrepreneurs and the performance of their enterprises in Kisumu Bus Park. The results are presented in Table 4.2

<table>
<thead>
<tr>
<th>Gender of Respondents</th>
<th>Revenues Generated Daily (Kshs)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below 100</td>
<td>200-500</td>
<td>600-1000</td>
<td>Over 1000</td>
</tr>
<tr>
<td>Female</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Male</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

From Table 4.2. the computed Chi-square value was 2.738 while the Critical Chi-square value was 7.815 at 3 degrees of freedom when calculated at 0.05 level of significance.
Since the Chi square calculated value was less than the Chi square Critical value, the null hypothesis that there is no significant difference between the gender of the entrepreneurs and the performance of their enterprises was not rejected. This therefore meant that there was no significant difference between the gender of the entrepreneurs and the performance of their enterprises in Kisumu Bus Park; thus Gender was not a determinant factor for MSE performance.

4.3.2: Age of the Entrepreneurs and Performance of the Business.

The study also sought to investigate the extent to which the age of the entrepreneur on the performance of the enterprise. Data gathered on entrepreneurs' age was cross tabulated with data on daily revenues generated by the MSEs in Kisumu Bus Park. The result of this cross tabulation is presented in Table 4.3.

Table 4.3: Cross Tabulation of Age against Revenues

<table>
<thead>
<tr>
<th>Age</th>
<th>Below 100</th>
<th>200 - 500</th>
<th>600 - 1000</th>
<th>Over 1000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>14 - 25</td>
<td>53</td>
<td>45</td>
<td>33</td>
<td>14</td>
</tr>
<tr>
<td>26 - 34</td>
<td>33</td>
<td>38</td>
<td>27</td>
<td>42</td>
</tr>
<tr>
<td>35 - 44</td>
<td>7</td>
<td>15</td>
<td>25</td>
<td>33</td>
</tr>
<tr>
<td>45 - 55</td>
<td>7</td>
<td>0</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>Above 55</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.3 presented data on revenues gained against the respondents' age. It was noted that 56% of the youths in the 14-34 age bracket generated revenues of Ksh 1000 and above while 44% of those aged 35 and above managed to generate the same revenues. This was an indication that though the youths were more and expected to perform far much
better than their older counterparts, this was not the case. There is need for the youth to be supported by provision of training and affordable credit.

This data was further subjected to a Chi square test on the null hypothesis that:

\[ H_o \text{ There is no significant difference between the age of the entrepreneurs and the performance of their enterprises in Kisumu Bus Park. } \]

The results are presented in Table 4.4

**Table 4.4: Chi-square Test for Age against Revenue**

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>DF</th>
<th>Significance (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>37.209</td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>286</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From Table 4.4, it was noted that the computed Chi-square value was 37.209 while the critical Chi-square value was 21.03 at 12 degree of freedom when calculated at 0.05 level of significance: since the calculated Chi square value was greater than the Chi square critical value, the null hypothesis that There is no significant difference between the age of the entrepreneurs and the performance of their enterprises in Kisumu Bus Park was rejected and the alternative hypothesis that There is a significant difference between the age of the entrepreneurs and the performance of their enterprises in Kisumu Bus Park adopted. This therefore implied that there was a relationship between age and performance of small businesses in Kisumu, thus age is a determinant factor in MSE performance. This was in agreement with other studies that pointed out to the existence of a relationship between age and business performance (Bonte et al, 2009, Zimmerrr and Scarborough 1998 and Staw 1991).
4.3.3: Family Size of the Entrepreneurs and Performance of the Business.

To investigate the extent to which family size of the entrepreneur affected the business performance, the respondents were asked to state the no of children they supported and this was cross tabulated with their daily revenues. The results are presented in Table 4.5.

Table 4.5: Family Size against Revenues

<table>
<thead>
<tr>
<th>Number of Children</th>
<th>Revenues Generated Daily (Kshs)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below 100</td>
<td>200–500</td>
<td>600–1000</td>
<td>Over 1000</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Less than 3</td>
<td>43</td>
<td>40</td>
<td>28</td>
<td>42</td>
</tr>
<tr>
<td>Between 3 and 5</td>
<td>28</td>
<td>32</td>
<td>31</td>
<td>40</td>
</tr>
<tr>
<td>More than 5</td>
<td>29</td>
<td>28</td>
<td>41</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

From Table 4.5, 82% of the entrepreneurs with families of less than five children generated revenues of over a thousand Kenya shillings whereas 18% of the respondents with more than five children generated the same revenues. This indicated that entrepreneurs with larger families recorded lower revenues.

To further establish the extent to which family size impacts on business performance the data collected by the study was subjected to a Chi-square test on the null hypothesis that: $H_0$ *There is no significant relationship between the family size of the entrepreneurs and the performance of their enterprises in Kisumu Bus Park.* The results are presented in Table 4.6.
Table 4.6: Chi-square Test for Family Size against Revenue

<table>
<thead>
<tr>
<th></th>
<th>VALUE</th>
<th>DF</th>
<th>Significance (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>12.911</td>
<td>6</td>
<td>.044</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>286</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From Table 4.6 the computed Chi-square value was 12.911 while the critical Chi-square value was 12.59 at 6 degree of freedom when calculated at 0.05 level of significance; since the calculated Chi square value was greater than the Chi square critical value, the null hypothesis that 'There is no significant relationship between the family size of the entrepreneurs and the performance of their enterprises in Kisumu Bus Park' was rejected and the alternative hypothesis that 'There is a significant relationship between the family size of the entrepreneurs and the performance of their enterprises in Kisumu Bus Park,' adopted. This therefore implied that family size is a determinant factor of performance of small businesses.

4.3.4: The Level of Education of the Entrepreneurs and Performance of their Enterprises.

The study also went on to establish the extent to which the level of education of the entrepreneur affected performance of their enterprises. Data gathered on the level of education of the respondents was thus cross tabulated with data on revenues generated daily and the results are presented in Table 4.7.
Table 4.7 Level of Education against Revenue

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Below 100</th>
<th>200-500</th>
<th>600-1000</th>
<th>Over 1000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Primary</td>
<td>0</td>
<td>35</td>
<td>13</td>
<td>28</td>
</tr>
<tr>
<td>Secondary</td>
<td>100</td>
<td>54</td>
<td>54</td>
<td>32</td>
</tr>
<tr>
<td>Tertiary College</td>
<td>0</td>
<td>8</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td>University</td>
<td>0</td>
<td>3</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

From Table 4.7 above 100% of the respondents who had attained a secondary education realized daily revenues of below Ksh 100. Revenues of Ksh 200-500 was realized by 35% of Primary graduates, 54% by Secondary graduates, 8% and 3% by tertiary and University graduates respectively. This indicated that persons with secondary and tertiary education seemed to be performing better than those respondents with primary level of education. It was also notable that there were very few university graduates in this sector.

This data was further subjected through a chi square test on the null hypothesis that:

\[ H_0 \text{ There is no significant relationship between the level of education of the entrepreneurs and the performance of their businesses. } \]

The results are presented in Table 4.8

Table 4.8: Chi-square Test for Level of Education against Revenue

<table>
<thead>
<tr>
<th>VALUE</th>
<th>DF</th>
<th>Significance (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>20.581</td>
<td>9</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>286</td>
<td></td>
</tr>
</tbody>
</table>
From Table 4.8 the computed Chi-square value was 20.581 while the critical Chi-square value was 16.92 at 9 degree of freedom when calculated at 0.05 level of significance; since the calculated Chi square value was greater than the Chi square Critical value, the null hypothesis was rejected. The alternative hypothesis that there is a significant difference between the level of education of the entrepreneurs and the performance of their enterprises in Kisumu Bus Park adopted. This therefore implies that there was a relationship between performance of MSEs in Kisumu and level of education of the entrepreneurs. Thus the level of education of the business owner is a determinant factor for business performance. This was in agreement with several studies on the impact of education on business performance. (Meng and Liang, 1996, King and McGrath, 2002, Wanjohi and Mugure, 2008).

4.3.5: Marital Status of the Entrepreneurs and Performance of their Enterprises.

The study also went on to establish the extent to which the marital status of the entrepreneur affected the performance of the entrepreneurs. Data gathered on the marital status of the respondents was thus cross tabulated with data on revenues generated daily and the results are presented in Table 4.9.

**Table 4.9: Marital Status against Revenues**

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Revenues Generated Daily (Kshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below 100</td>
</tr>
<tr>
<td>Single</td>
<td>54.55%</td>
</tr>
<tr>
<td>Married</td>
<td>45.45%</td>
</tr>
<tr>
<td>Separated</td>
<td>0%</td>
</tr>
<tr>
<td>Widowed</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
It is apparent from Table 4.9 that married persons were performing better at 73% of revenues exceeding Kshs 1000 as opposed to the singles that were at 19.7%. This may have been due to the fact that married persons received support from the family which may have been important in motivating them to become successful entrepreneurs (Swinney and Runyan 2007).

4.3.6: Religion of the Entrepreneurs and Performance of their Enterprises.

The study also went on to establish the extent to which the religious background of the entrepreneur affected performance of their enterprises. Data gathered on the religion of the respondents was thus cross tabulated with data on revenues generated daily and the results are presented in Table 4.10

<table>
<thead>
<tr>
<th>Religion</th>
<th>Revenues Generated Daily (Kshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below 100</td>
</tr>
<tr>
<td>Protestant</td>
<td>%</td>
</tr>
<tr>
<td>Catholic</td>
<td>75.00</td>
</tr>
<tr>
<td>Muslim</td>
<td>0.00</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
</tr>
</tbody>
</table>

From Table 4.10 Christians were the majority of the high performers (89.48%) while Muslims are 10.53% who were generating over Kshs 1000 on a daily basis. This indicated that the MSE sector in Kisumu was predominantly Christian with Muslims being a minority and other faiths not participating. With regard to those businesses recording daily revenues below Kshs 100 most of them (75%) were Catholics while in other categories of daily revenues there was little difference between Catholics and Protestants.
4.3.7: Business Experience of the Entrepreneurs and Performance of their Enterprises.

In order to ascertain the degree to which the business experience of the entrepreneur affected performance of the MSE, data on the length of time the entrepreneur had spent running the business was cross tabulated with data on revenues generated daily and the results are presented in Table 4.11.

Table 4.11: Business Experience against Revenues

<table>
<thead>
<tr>
<th>Business Experience</th>
<th>Below 100</th>
<th>200-500</th>
<th>600-1000</th>
<th>Over 1000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>14.29</td>
<td>18.09</td>
<td>16.25</td>
<td>5.13</td>
</tr>
<tr>
<td>2 - 3 years</td>
<td>35.71</td>
<td>54.26</td>
<td>32.50</td>
<td>35.90</td>
</tr>
<tr>
<td>4 - 7 years</td>
<td>42.86</td>
<td>19.15</td>
<td>26.25</td>
<td>25.64</td>
</tr>
<tr>
<td>8 - 10 years</td>
<td>0.00</td>
<td>4.26</td>
<td>17.50</td>
<td>24.36</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>7.14</td>
<td>4.26</td>
<td>7.50</td>
<td>8.97</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

According to Table 4.11, 5.1% of the entrepreneurs with less than a year of experience in running the business had generated a daily revenue of over Kshs 1000 whereas (61.5%) of those who had been running businesses in this sector for 2 - 7 years had generated a similar daily revenue. This showed that business experience of the entrepreneurs may have had an impact on the performance of MSEs. Perry and Pendleton, (1983) in their study observed that Ninety percent of business failures were associated with “management inadequacy”, which consisted of either management inexperience or incompetence. This was corroborated by other researchers such as Staw (1991), Meng and Liang, (1996) who also found experience as being a predictor for business success or failure.
4.4 The Relationship between Selected Business Characteristics and the Performance of their Enterprises

The second objective of the study was to gather information to establish the relationship between selected business characteristics and business performance. In this regard data on the enterprise sector, form of ownership and whether the business was established or inherited was collected.


In order to ascertain whether there existed a relationship between the business sector and performance of the Micro and small enterprises, data on the business sector was cross-tabulated with data on revenues generated daily and the results are presented in Table 4.12.

Table 4.12: Business Sector against Revenues

<table>
<thead>
<tr>
<th>Business Sector</th>
<th>Revenues Generated Daily (Kshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below 100</td>
</tr>
<tr>
<td>Transport</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>21</td>
</tr>
<tr>
<td>Grocery</td>
<td>29</td>
</tr>
<tr>
<td>Boutiques</td>
<td>0</td>
</tr>
<tr>
<td>Retail shop</td>
<td>14</td>
</tr>
<tr>
<td>Service</td>
<td>100</td>
</tr>
</tbody>
</table>

From Table 4.12 above, 36% of enterprises in the transport sector generated daily revenues of below Kshs 100 while groceries were at 21% and boutiques and service providers were
at 29% and 14% respectively. From these data, transport and service businesses were more viable since they generated more income. This can be explained by the fact that they were the majority at the bus park while the other business sectors depended on the clientele of the transport sector to provide market for their wares. In order to establish the relationship between the sector of business and performance, a Chi square test was run on the null hypothesis that:

\( H_0 \): There is no significant relationship between the business sector and the performance of the businesses in Kisumu Bus Park. The results are presented in Table 4.13

**Table 4.13: Chi-square Test for Business Sector against Revenue**

<table>
<thead>
<tr>
<th></th>
<th>VALUE</th>
<th>DF</th>
<th>SIGNIFICANCE (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>38.542</td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>Number of Cases</td>
<td>286</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From Table 4.13 the computed Chi-square value was 38.542 while the critical Chi-square value was 21.03 at 12 degree of freedom when calculated at 0.05 level of significance; since the calculated Chi square value was greater than the Chi square Critical value, the null hypothesis that ‘There is no significant relationship between the business sector and the performance of MSEs in Kisumu Bus Park was rejected’ and the alternative hypothesis that ‘There is a significant relationship between the business sector and performance of the enterprises in Kisumu Bus Park adopted’. This therefore implies that there was a relationship between performance of MSEs and the sector in which it belongs. The study found that the sector in which an enterprise operated determined its performance.
4.4.2: The Relationship between the Business Type and the Performance of the Enterprises in Kisumu Bus Park.

In order to ascertain whether there was a relationship between the business type and performance of the Micro and small enterprises, data on the business type was cross tabulated with data on revenues generated daily and the results are presented in Table 4.14

**Table 4.14: Business Type against Revenues**

<table>
<thead>
<tr>
<th>Revenues Generated Daily (Kshs)</th>
<th>Below 100</th>
<th>200 - 500</th>
<th>600 - 1000</th>
<th>Over 1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Type</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Sole proprietorship</td>
<td>66.67</td>
<td>82.80</td>
<td>67.50</td>
<td>65.45</td>
</tr>
<tr>
<td>Partnership</td>
<td>33.33</td>
<td>17.20</td>
<td>32.50</td>
<td>34.55</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

As per Table 4.14, 65% of sole proprietorship type of businesses generated daily revenues of over Kshs 1000 as opposed to 35% of partnerships. This showed that sole proprietorships performed better than partnerships. This may be explained by the fact that majority of businesses in the MSE sector are owned by individuals.

This data was then subjected to a Chi-square test on the null hypothesis that:

H₀: There is no significant relationship between the business type and the performance of the businesses in Kisumu Bus Park. The result is presented in Table 4.15

**Table 4.15: Chi-square Test for Business Type against Revenue**

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>DF</th>
<th>SIGNIFICANCE (2-SIDED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>7.527</td>
<td>3</td>
<td>.057</td>
</tr>
<tr>
<td>No of Valid Cases</td>
<td>286</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
From Table 4.15 the computed Chi-square value was 7.527 while the critical Chi-square value was 7.815 at 3 degree of freedom when calculated at 0.05 level of significance; since the calculated Chi square value was less than the Chi square Critical value, the null hypothesis that: There is no significant relationship between the business type and the performance of MSEs in Kisumu Bus Park was not rejected. This therefore meant that there was no relationship between performance of MSEs in Kisumu and Business Type. Thus business type was not a determinant factor for business performance.


In order to establish whether there existed a relationship between the origin of the MSEs and their performance, data on their origin was cross tabulated with data on revenues generated daily and the results are presented in Table 4.16

Table 4.16: Business Origin against Revenues

<table>
<thead>
<tr>
<th>Origin of the Business</th>
<th>Revenues Generated Daily (Kshs)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below 100</td>
<td>200 – 500</td>
<td>600 – 1000</td>
<td>Over 1000</td>
</tr>
<tr>
<td>Established</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>72.73</td>
<td>81.82</td>
<td>73.85</td>
<td>91.04</td>
</tr>
<tr>
<td>Inherited</td>
<td>27.27</td>
<td>18.18</td>
<td>26.15</td>
<td>8.96</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

According to Table 4.16, majority of established businesses performed better than the inherited businesses at 91% generating revenues exceeding Kshs 1000. In order to establish the relationship between business origin and performance a Chi-square test was run on the null hypothesis that:
H0: There is no significant relationship between the origin of the business and the performance of the businesses in Kisumu Bus Park and the results are presented in Table 4.17

Table 4.17: Chi-square Test for Business Origin against Revenue

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>DF</th>
<th>SIGNIFICANCE (2-SIDED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>7.222</td>
<td>3</td>
<td>.065</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>286</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From Table 4.17 the computed Chi-square value was 7.222 while the critical Chi-square value was 7.815 at 3 degree of freedom when calculated at 0.05 level of significance; since the calculated Chi square value was less than the Chi square Critical value, the null hypothesis that: There is no significant relationship between the origin of the business and the performance of MSEs in Kisumu Bus Park was not rejected. This therefore implied that there was no relationship between performance of MSEs in Kisumu and Business origin. The origin of the business is thus not a determinant factor for its performance.

4.5: The Legislative Processes and Policies Framework in the MSEs in Kisumu

The study sought to determine the legislative processes set by both the central and local governments to facilitate the MSE sector to conduct business in Kisumu and the findings are presented in this section.
4.5.1 The Entrepreneurs’ Comfort with the Location of the Business

In endeavouring to deduce the business person’s comfort with the physical location of the enterprises the respondents were asked whether the businesses were situated in a conducive location and their responses are presented in Table 4.18

Table 4.18: Entrepreneurs’ Comfort with the Location of the Business

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>203</td>
<td>71</td>
</tr>
<tr>
<td>No</td>
<td>83</td>
<td>29</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>286</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

As per Table 4.18 the bulk of the respondents (71.3%) were of the opinion that their enterprises were situated in locations that were business friendly while 28.7% were in disagreement. This percentage presented a significant proportion of MSEs that were not comfortable with their location. This indicated that there needs to be more streamlining of the location of the enterprises to ensure fair competition amongst all players. Tustin, (2001) as quoted in Thapa et al (2007) found out that geographic location had its implications for access to markets and other resources like finance, skilled labour, subcontractors, infrastructure, distribution and transport logistics and other facilities. They also established that MSE success depended on neighbourhood appearance and continued or maintained future business operations in that location.

4.5.2: Possession of Business Permits by MSEs in Kisumu

The respondents were asked whether they were in possession of business permits allowing them to run their businesses and their responses are shown in Table 4.19
Table 4.19: Possession of Business Permits by MSEs in Kisumu

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>260</td>
<td>91</td>
</tr>
<tr>
<td>No</td>
<td>26</td>
<td>9</td>
</tr>
<tr>
<td>TOTAL</td>
<td>286</td>
<td>100</td>
</tr>
</tbody>
</table>

In accordance to Table 4.19 majority of the respondents (91%) indicated that they were in possession of business permits. This showed that there were still a few cases of businesses running without permits in the MSEs of Kisumu which could lead to revenue loss to the Municipal Council of Kisumu and unfair competition amongst the businesses.

4.5.3 Registration of Business Units

It was enquired from the respondents whether they had registered their businesses and the data that was gathered is shown in Table 4.20

Table 4.20: Registration of Business Units

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>212</td>
<td>74</td>
</tr>
<tr>
<td>No</td>
<td>74</td>
<td>36</td>
</tr>
<tr>
<td>TOTAL</td>
<td>286</td>
<td>100</td>
</tr>
</tbody>
</table>

From Table 4.20 above, 64% of the businesses were registered while 36% were not. This was due to the fact that some units were below the threshold of registration as they did not have physical premises where they conducted their trade.
4.5.4: Awareness of the Municipal Council of Kisumu Rules

The entrepreneurs were asked if they were aware of legislations that govern how they are to run their businesses and their responses are presented in Table 4.21.

### Table 4.21 Awareness of the Municipal Council of Kisumu Rules

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>155</td>
<td>54</td>
</tr>
<tr>
<td>No</td>
<td>131</td>
<td>46</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>286</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

From the responses above it was evident that a good proportion (46%) of entrepreneurs operating in Kisumu were ignorant of the By-Laws set by the Municipal Council of Kisumu to govern their operations. This showed that there was a low level of adherence to the statutes set by the Municipal Council as a large proportion of respondents did not know the rules that they were required to abide by.

4.5.5: Access to Credit by MSEs in Kisumu

The study sought to find out the accessibility of credit facilities to the MSEs in Kisumu and the information that was gathered is presented in Table 4.22 below.

### Table 4.22: Access to Credit by MSEs in Kisumu

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>206</td>
<td>72</td>
</tr>
<tr>
<td>No</td>
<td>80</td>
<td>28</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>286</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

According to table 4.22, a major proportion (72%) of the MSEs in Kisumu mentioned that they were predisposed to credit facilities which showed that credit facilities were available.
for majority of the MSE traders in Kisumu. According to the Baseline Survey of 1999 the bulk of the MSEs credit (69.1 per cent) came from informal savings and credit associations, otherwise known as Rotating Savings and Credit Associations (ROSCAS). This was in line with other findings which revealed that many of the entrepreneurs accessed credit from non-formal financial channels commonly known as merry-go-rounds. Other institutions that provided credit included NGOs, micro-finance schemes, commercial banks and Savings and Credit Cooperative Societies (SACCOS).

4.5.6 Receiving of Business Skills Training by the Respondents

The study in seeking to establish whether the entrepreneurs operating MSEs in Kisumu town had received any form of training in business skills the respondents were asked to state if they had been trained. The data obtained was cross-tabulated with their daily revenues in order to establish the influence of training on performance of the MSEs. The results are presented in Table 4.23

Table 4.23: Cross Tabulation of Business Skills Training and Revenues

<table>
<thead>
<tr>
<th>Receiving of Business Skills</th>
<th>Revenues Generated Daily (Kshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below 100</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Yes</td>
<td>46.67</td>
</tr>
<tr>
<td>No</td>
<td>53.33</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
</tr>
</tbody>
</table>

According to Table 4.22 a larger proportion (59.70) of the entrepreneurs had not received business skills training across all the segments of daily revenues earned. This indicated that a large proportion of MSE owners in Kisumu had not received training and were hence carrying out their businesses in an ad hoc manner. This was in agreement with the study of
Perry and Pendleton, (1983) that cited that many MSEs owners or managers lack managerial training and experience.

4.6 The Challenges Facing MSEs Entrepreneurs in Kisumu City

The fourth objective of the study was to seek to bring to light the handicaps that the MSE business community was facing. In order to achieve this, the respondents were requested to highlight the challenges they faced and probable solutions to them.

4.6.1 Presence of Challenges to the MSEs in Kisumu

The entrepreneurs were asked to state whether they encountered any hurdles in conducting business in Kisumu and the comments are presented in Table 4.24

Table 4.24: Presence of Challenges to the MSEs in Kisumu

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>215</td>
<td>75</td>
</tr>
<tr>
<td>No</td>
<td>71</td>
<td>25</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>286</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

A bulk of the respondents (75%) intimated that they were facing several obstacles in carrying out their trade in Kisumu bus park area. These challenges were mainly: Bad debts, sale of counterfeits, insecurity, lack of proper storage facilities, inadequate shelter, untrustworthy employees, swampy stage, poor market planning, inhibiting Municipal levies, high employee turnover, lack of space for expansion, dust from the roads and fees among others. A study done by Wanjohi and Mugure, (2008) found out that financial constraint remained a major challenge facing MSEs in Kenya. Perera and Amin (1996), on the other hand realised that problems encountered by enterprises in the informal sector included the issue of legality, lack of infrastructure, substandard structures, and the threat
of demolition. Informal enterprises were also considered an environmental hazard and urban planners argued that they could be a danger to the public, especially those that were carried out along roads and sidewalks. These were similar challenges to what the MSE sector in Kisumu was found to be experiencing. Table 4.25 illustrates these challenges.

Table 4.25: Challenges Facing Micro and Small Businesses in Kisumu

<table>
<thead>
<tr>
<th>Most pressing challenges</th>
<th>No. of Respondents</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased competition</td>
<td>97</td>
<td>33.92</td>
</tr>
<tr>
<td>Insecurity</td>
<td>88</td>
<td>30.77</td>
</tr>
<tr>
<td>Debt collection</td>
<td>56</td>
<td>19.58</td>
</tr>
<tr>
<td>Lack of credit</td>
<td>15</td>
<td>5.24</td>
</tr>
<tr>
<td>Political uncertainty</td>
<td>12</td>
<td>4.20</td>
</tr>
<tr>
<td>Hawkers</td>
<td>11</td>
<td>3.85</td>
</tr>
<tr>
<td>Unfavourable business laws</td>
<td>7</td>
<td>2.45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>286</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

According to table 4.25, increased competition mainly from counterfeit products and insecurity proved to be the most pressing challenge for the MSE entrepreneurs at 33.92% and 30.77% respectively. Only 2.4% of the entrepreneurs cited unfavourable business laws as a challenge.
4.7 The Strategies Employed by MSEs in Kisumu to Counter their Challenges

The final objective of this study was to chart the way forward in addressing problems facing MSEs within and around Kisumu Bus Park. In order to address this objective the respondents were asked if they thought that their daily revenues could be improved or not and their responses are recorded in Table 4.26:

Table 4.26: Opinion on Whether Income can be Improved

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>192</td>
<td>67</td>
</tr>
<tr>
<td>No</td>
<td>94</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>286</td>
<td>100</td>
</tr>
</tbody>
</table>

As per table 4.26, the opinion of the entrepreneurs regarding improvement in revenues was fairly divided as 57% were in agreement while 43% were of the contrary opinion. This indicated a lack of optimism in a large number of MSE entrepreneurs in Kisumu due to limited room for expansion which may have hindered business growth.

4.7.1 Relevance of Support Groups as a Strategy

The study was also interested in investigating the impact of the support groups as a strategy to counter the challenges experienced by the MSE entrepreneurs. Data on entrepreneurs who belonged to support groups and their daily revenues generated were cross tabulated and the results are shown in table 4.27
<table>
<thead>
<tr>
<th>Support Group</th>
<th>Revenues Generated Daily (Kshs)</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below 100</td>
<td>200 - 500</td>
<td>600 - 1000</td>
<td>Over 1000</td>
<td></td>
</tr>
<tr>
<td>Women/men Group</td>
<td>67</td>
<td>28</td>
<td>59</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>Youth Group</td>
<td>16.5</td>
<td>62</td>
<td>32</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Religious Group</td>
<td>16.5</td>
<td>10</td>
<td>9</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

According to Table 4.26, 64% of entrepreneurs who belonged to men/women groups generated revenues of over Ksh 1000 whereas 19% and 17% of those who belonged to youth groups and religious groups respectively generated the same revenues. This was an indication that the support groups were an important strategy for improving performance of the MSEs.

The respondents were further asked to cite probable solutions to the challenges they were encountering in carrying out their business activities and their responses were as follows: Sourcing trustworthy employees through sound recruitment procedures so that only qualified personnel are engaged thereby leading to good customer service which will lead to business growth. The provision of affordable credit to facilitate consistent repayment of loans to reduce the burden of bad debts on the MSEs. The imposition of stiff penalties of those found to engage in trade of counterfeit goods was suggested as a deterrent of further proliferation of the same so as to remove the unfair competition posed by counterfeit goods. Offering proper facilities and planning in the market so that traders are provided with the necessary tools and space to carry out their trade without undue interference. The putting up of proper structures that provide sufficient and secure storage.
room to lessen the incidences of insecurity to curb losses that result from theft the wares of
the businesses.

According to Bowen (2009), one strategy of improving MSE performance is for the
officials to adopt an enabling approach which urges governments to organize proprietors,
and to encourage them to follow regulations and safety standards as well as to participate
in the planning, assistance and advocacy processes. Perera and Amin (1996) also suggested
that many of the challenges faced by MSEs can be eliminated if urban planners allocated
land for the enterprises.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the summary of the findings from data analysis, conclusions and recommendations to the relevant bodies on how the MSE sector can be improved in Kisumu City are also presented. The section also discusses the areas that require further research.

5.2 Summary of Findings

The study found that gender did not have a significant influence on the performance of the business as the female-owned enterprises were found to perform just as well as the male owned enterprises. This therefore meant that there was no relationship between gender and performance of small businesses in Kisumu.

On the contrary, the age of the entrepreneur had a significant influence on the performance of small businesses in Kisumu. Majority of the MSE owners at the bus park were found to be youths aged 14-35 years (69%). This may have been because these kinds of ventures are labour intensive hence placing the aged at a disadvantage while the young have the vigour to take up the challenge. Furthermore, according to the 1999 census, Kisumu district population comprised two thirds (67%) of the youth and these may explain why they form the majority of the MSE sector.

The family size of MSE owner was found to have an impact on the performance of their businesses as 82% of the entrepreneurs with families of less than five children generated revenues of over a thousand Kenya shillings whereas 18% of the respondents
with more than five children generated the same revenues. This indicated that entrepreneurs with large families did record lower revenues.

Level of education of the entrepreneur was also found to have an impact on the business performance as 66% of those who had attained secondary and tertiary education generated high daily revenues as opposed to 28% of those entrepreneurs with primary education. This indicated that persons with secondary and tertiary education seemed to be performing better than those respondents with primary level of education. It was also notable that there were very few university graduates in this sector.

Marital status of the entrepreneurs was also found to have an impact on MSE performance as married persons performed better at 73% of revenues exceeding Kshs 1000 as opposed to the single who were at 19.7% of the same revenues. Religion too was found to have an impact as Christians were found to be the majority of the high performers (89.48%) while Muslims accounted for (10.53%) of over Kshs 1000 generated revenues. However the study found out that there were very few Muslims in this sector. This indicated that the MSE sector in Kisumu is predominantly Christian with Muslims being a minority and other faiths not participating.

The study also found that the entrepreneur's experience in business also had an impact on the performance of the enterprise as 5.1% of the entrepreneurs with less than a year of experience in running the business had generated a daily revenue of over Kshs 1000 whereas (61.5%) of those who had been running businesses in this sector for 2 - 7 years had generated a similar daily revenue.

With regard to business sector, the transport sector seemed more viable as they generated more daily revenues. This was as expected as they constituted majority of the
businesses operating around the bus park. However there was need for restructuring of the sector in order to accommodate other sectors within the bus park.

The study found sole proprietorships to be performing better than partnerships. This may be explained by the fact that majority of businesses in the MSEs sector are owned by individuals. This showed that there was little teamwork employed amongst the MSE business owners in Kisumu which subsequently led them not to realise the benefits that pulling together their resources would have brought e.g. enjoying economies of scale which makes them uncompetitive.

The study found out that majority of established businesses performed better than the inherited businesses. This showed the high rate of dissolution of these businesses hence few can be perpetuated to reach the next generation.

The study found that the regulatory and institutional environment was burdensome to the MSEs in Kisumu. The study established that a bulk of the respondents (71.3%) were of the opinion that their enterprises were situated in locations that were business friendly while 28.7% were in disagreement, (91%) of the entrepreneurs indicated that they were in possession of business permits, while (72%) of the MSEs in Kisumu mentioned that they had access to credit facilities from various organizations including the Rotating Savings and Credit Associations (ROSCAS) commonly known as merry-go-rounds. 59.70% of the entrepreneurs indicated that they had not received business skills training.

The study also sought to find out the existence of any By Laws or rules set by MCK to govern the running of business in this sector and various rules were pointed out and they include: registration of certain businesses is mandatory- depending on the type of business; a Health License or certificate was also required for certain business categories, the main Municipal market is closed down by 6.00pm and this was seen as a hindrance to
their business as most clients work till late and may require to purchase groceries after 6.00pm.

The study established that the entrepreneurs in the MSE sub trade sector face various challenges: Competition, insecurity, debt collection, lack of working capital and power interruptions were reported as the top five challenges facing micro and small businesses in Kisumu. 89.4 percent of respondents mentioned competition while 68.2 percent mentioned insecurity as a challenge. 54.5 percent, 53 percent and 44.9 percent of the respondents mentioned debt collection, lack of working capital and power outages respectively. Political uncertainty cost of materials, hawkers, low demand and restrictive by-laws completed the list of ten main challenges facing these businesses. Other mentioned challenges included: harassment from Municipal council officials, lack of shelter and storage room for their goods, uncontrolled noise, lack of basic sanitary facilities, poor infrastructure like drainage and water closets especially for those running eatery businesses around the stage, and counterfeit goods.

When asked how they handle the challenges faced, most respondents reported that different challenges called for different approaches. Below are some of the responses adopted to counter various challenges.

Out of the 177 respondents who mentioned competition as a challenge, 71 percent mentioned it among their top three. When asked how they counter their competitors, 30.2 percent of the respondents mentioned good customer service followed by discount offers (which vary according to client), which was mentioned by 18.3 percent as the remedy. 7.9 percent of the respondents reported that they use price as a competitive edge by selling more cheaply than their competitors. Selling a variety of products was mentioned by only 6.3 percent of the respondents. Offering credit facilities, selling of quality goods and
services and offering their customers additional services like free training were mentioned by 5.6 percent, 4 percent and 3.2 percent of the respondents respectively. Using price to compete may mean lower profits, even if it may translate into higher volumes. However, this strategy can be employed by everybody hence spelling a death knell for the business given the fierce competition in the small business sector.

Security threats posed a great challenge to businesses and many business owners and managers employed various means to help prevent or deter would-be criminals. 36 percent of respondents ranked poor security among the top three challenges their businesses faced. Out of these, 37.5 percent made use of security firms or guards to safeguard their businesses. Approximately 22.2 percent of them closed early to avoid thugs while 6.9 percent opted to carry their stocks home while some slept in their business premises as a security measure. This implied higher cost of doing business as they respond to the security challenges.

25 percent of respondents ranked debt collection among the top three challenges they faced in their businesses. As a response to this challenge, half of those who faced this problem resorted to collecting their debts at the end of the month, 20 percent reported that they avoided giving goods and services on credit and 10 percent of them demanded down payments before giving a service. Other businesses reported that they had loyal customers (2 percent) whom they considered reliable while a few (2 percent) said they encouraged their customers to pay in installments so as to reduce the payment load.

10 percent of the respondents cited hawkers as a challenge to their businesses. As a response to this challenge, 15 percent of the businesses that faced this problem reported that they sold cheaper than the hawkers while another 15 percent said they sold goods of a higher quality.
Other strategies mentioned by the entrepreneurs included: Sourcing trustworthy employees through sound recruitment procedures so that only qualified personnel are engaged thereby leading to good customer service which will lead to business growth.

5.3 Conclusion

The study concluded that the gender of the entrepreneurs was not a determinant factor for the performance of MSEs, however age was found to have a significant influence on the performance of the business. The study also concluded that family size of the entrepreneurs had an effect on their business revenues as lower revenues were realized as the family size increased. Marital status of the entrepreneurs had an impact on the performance of the MSEs as married persons performed better than the singles in their businesses. Equally important to the performance of the business was the level of education of the entrepreneur as the higher the level of education attained by the entrepreneur; the higher the revenues generated by the business. Similarly religion had a significant impact on the performance of the small and micro enterprises. The study concluded that the entrepreneur’s previous experience in business had an impact on the performance of the enterprise as the entrepreneurs who had more than three years experience in running the business had performed better than those who had been running businesses in this sector for less than two years.

The study concluded that the sector of the business had a significant impact on the performance of the business, while the type of the business was not a determinant factor for business success in this sector. The study also concluded that the majority of businesses in this sector were established rather than inherited and this influenced their performance negatively.
Furthermore the study came to a conclusion that the environment around the bus park is strategic for the MSEs as it provided easy access to both their suppliers and customers. However there were shortcomings in infrastructure. Many of the MSE owners had access to credit facilities from various organizations including the Rotating Savings and Credit Associations (ROSCAS) commonly known as merry- go rounds. Furthermore majority of the entrepreneurs had not received any business skills training.

All in all the study concluded that whereas the government had undertaken various efforts in promoting the MSE sector, there is a lot that is yet to be accomplished in terms of implementation of the various policies that are in place to govern this very important sector. Thus given a conducive environment and adequate support, The MSE entrepreneurs in Kisumu can realise their full potential and maximise their contribution to the country’s economic development.

5.4 Recommendations

In the light of the findings and conclusions of this study, the following recommendations were made:

The Municipal Council of Kisumu, (MCK) should organize the MSE proprietors in Kisumu Bus Park by allocating them designated business premises according to their sectors. This can be done by offering proper facilities and planning in the market so that traders are provided with the necessary tools and space to carry out their trade without undue interference.

More financial support should be provided in various forms such as pre-seed and seed funding in order to support the youths that are involved in this sector. In this light, the Ministry of Youth Affairs should strengthen the Youth Enterprise Fund and ensure that it can reach majority of the youth. Similarly, the Ministry of Gender and Children’s Affairs
should disburse the women funds and encourage more women to borrow from the fund in order to expand their businesses.

The imposition of stiff penalties on those found to engage in the trade of counterfeit goods to deter further proliferation of the same so as to remove the unfair competition posed by counterfeit goods.

5.5 Contribution to the Body of Knowledge

This study has made various contributions to the body of knowledge as indicated in the table below.

<table>
<thead>
<tr>
<th>Research Objective</th>
<th>Contribution to the Body of Knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Influence of Socio-cultural Background of the entrepreneur to the performance of the MSE</td>
<td>The extent to which age, gender, marital status, family size, level of education and experience of the entrepreneur contribute to the performance of the Small and Micro Enterprise</td>
</tr>
<tr>
<td>Relationship between selected business characteristics and performance of the enterprise</td>
<td>The extent to which business sector, type and origin influence performance of the MSE sector.</td>
</tr>
<tr>
<td>The Challenges encountered by MSEs</td>
<td>competition, insecurity, debt collection, political uncertainty, cost of materials, hawkers restrictive by-laws, sale of counterfeits, insecurity, lack of proper storage facilities, inadequate shelter, untrustworthy employees, poor market planning, inhibiting Municipal levies, high employee turnover, lack of space for expansion.</td>
</tr>
<tr>
<td>Strategies employed by MSE entrepreneurs to counter the challenges</td>
<td>Joining Support Groups.</td>
</tr>
</tbody>
</table>
5.6 Areas for Further Study

Future studies are necessary in the following areas

1. The impact of City Council By laws on the performance of street vendors in Kisumu.
2. The impact of Policy on the management of hawkers in Kisumu?
3. Factors affecting performance of MSEs located in the rural areas.
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Rowe, J. (2008). MSEinBritain. Published in Knowledge@SMU. http://know ledge@SMU.edu.sge


Employment through Small Enterprise Development Job Creation and Enterprise Department, International Labour Office, Geneva and Private Sector Department (OPSD), Africa Development Bank (AFDB) (Tunis).


Dear Respondent,

My name is Ruth A. Nyang’ori. I am a student at the University of Nairobi undertaking a degree in Masters of Arts in Project Planning and Management. I am undertaking a research project entitled: Factors influencing Performance of Micro and Small Enterprises (MSEs) in Kisumu city. You have been selected to participate in this study to obtain your perceptions and views regarding various aspects of the MSE sector. There are no good or wrong answers but your honest participation in answering the questions will assist in establishing the factors influencing performance of the small businesses in Kisumu town. The information provided will be treated confidentially.

Thank you in advance

Signature.....................dates.....

Ruth A. Nyang’ori

MA student

University of Nairobi
PART 1: THE SOCIO ECONOMIC BACKGROUND OF THE ENTREPRENEUR

1. Gender: Female ( ) Male ( )

2. Marital status: Single ( ) Married ( ) Separated ( ) Widowed ( )

3. Family size: Less than 3 ( ) between 3 and 5 ( ) More than 5 ( )

4. What is your age?

   1=14-25
   2=26-34
   3=35-44
   4=45-55
   5=Above55

5) What is your religion?

   1=Protestant
   2=Catholic
   3=Muslim
   4=Hindu
   5=Others (Specify)

6) Have you or any one in your business received any business skills related training? Yes ( )
PART II: CHARACTERISTICS OF THE ENTERPRISE

1. Name of the enterprise and physical location

ii) Are you comfortable with the place where you are located? Yes () No ()

iii) Why

2. Number of employees in the enterprise: .......... Women .......... Men ...........

i) Full time................. ii) Part time.............

3. Type of enterprise and sector

1= transport (Matatu/bus/taxi/Boda/Tuktuk/motorcycle)

2= Grocery

3= Boutiques/clothes shop/tailoring
4= Retail shop

5= Service (shoeshine/barbershop/eatery/salon)

4. (a) How long has your business been operating?

1= Less than 1 year

2= 2 - 3 years

3= 4- 7 years

4= 8-10 years

5= over 10 years

(b) Have you had any other business prior to the current one?

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(c) For how long did you run the previous enterprise?

i) Less than 3 years ( ) ii) 3 - 5 years ( ) iii) Over 5 years ( )

5. Do you own any other business or businesses?

...........................................................................................................................

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80
6) What is the form of your business?

1 = Sole Proprietorship
2 = Partnership
3 = others Please specify

7) Is your business registered?

1 = Yes
2 = No

8) How much do you get per day? (Ksh)

1 = Below 100
2 = 200-500
3 = 600-1000
4 = over 1000

8. (b) What factors do you think contribute to this income?

........................................................................................................

........................................................................................................

........................................................................................................

(c) Do you think you can improve on this income? Yes ( ) No ( )
(d) Explain

9) How much was your start up capital and the source(s)?

<table>
<thead>
<tr>
<th>Sources of starting capital</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>

10) What is the type or kind of assets (e.g. stock, debtors etc) does your business have and their value?

<table>
<thead>
<tr>
<th>Type of asset</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>11) What kind of liabilities (e.g creditors, loans etc) does your business have and the amount?</strong></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of liability</th>
<th>Amount</th>
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</thead>
<tbody>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>

12) What’s the origin of your business?
PART III: Legislative Processes and Policy Framework

1) Are there any rules set by the MCK that govern how you run your business?

   Yes ( ) No ( )

   If yes, which ones?

   ………………………………………………………………………………………………………………………………………………………

   ………………………………………………………………………………………………………………………………………………………

   ………………………………………………………………………………………………………………………………………………………

2) How do these rules affect you?

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   ………………………………………………………………………………………………………………………………………………………

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3) Do you have a permit? Yes ( ) No ( )

4) If no, why?

   ………………………………………………………………………………………………………………………………………………………

   ………………………………………………………………………………………………………………………………………………………
5) Do you have access to any form of credit? Yes ( ) No ( )

6) If yes from which sources

PART IV: CHALLENGES OF THE MSEs AND STRATEGIES

1) Does your business experience any challenges? Yes ( ) No ( )

2) How have you handled the challenges you have mentioned?

3) If yes. What would you say are the main challenges that your business faces? If no, why?

4) Which social network/support group do you belong to?

1=Women/Men group
2=Youth group
3 = religious group

4 = Others (Specify)

5 = None

5) How does the network/group assist or limit you in your business?

............................................................
............................................................
............................................................

6) Are you employed? Yes ( ) No ( )

7) b) If yes in which sector?

   1 = Private

   2 = Civil Service

   3 = TSC

   4 = NGO

   5 = Others
APPENDIX II: INTERVIEW SCHEDULE FOR THE BUS PARK AND MARKET SUPERINTENDENTS

1. What is your role?

2. What are some of the rules the council has put to govern operations of the businesses located at the bus park?

3. Are these rules normally adhered to?

4. In your opinion, do you think these rules affect the performance of the MSEs?

5. How many businesses operate at the market/stage?

6. How would you rate the performance of these businesses?
APPENDIX III: OBSERVATION SCHEDULE

1. Organization of the businesses around and within the stage

2. Type and nature of business enterprises operating around the bus park

3. Condition of the business environment

4. Volume of business going on around the bus par
## APPENDIX IV SAMPLE SIZE TABLE

Table 1. Sample size for ±3%, ±5%, ±7% and ±10% Precision Levels Where Confidence Level is 95% and
P=.5.

<table>
<thead>
<tr>
<th>Size of Population</th>
<th>Sample Size (n) for Precision (e) of:</th>
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<tbody>
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<tr>
<td>&gt;100,000</td>
<td>1,111</td>
</tr>
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</table>
Ms. Ruth Achinj Nyangori
University of Nairobi
Kisumu Campus
P. O. Box 825
KISUMU

Dear Madam,

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "Factors influencing performance of small and micro enterprises in Kisumu City, Kenya" I am pleased to inform you that you have been authorized to undertake research in Kisumu East District for a period ending 31st July 2010.

You are advised to report the District Commissioner and the District Education Officer, Kisumu East District and the Town Clerk, Municipal Council of Kisumu before embarking on the research project.

On completion of the research, you are expected to submit two copies of the research report/thesis to our office.

P. N. NYAKUNDI
FOR: SECRETARY/CEO

Copy to: