Factors Influencing Business Performance of Micro and Small Enterprises (MSEs): The Case of Jenga Kenya Community Based Organization's Clients in Meru, Kenya.
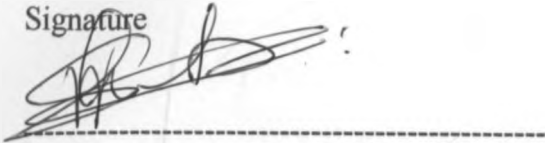
Wilfred Gikonyo Wambugu

A Research Project Report Submitted in Partial Fulfillment for The Requirements of The Award of The Degree of Master of Arts in Project Planning and Management of The University of Nairobi.

2010

DECLARATION

This research project is my original work and has not been presented to any university for the award of a degree.
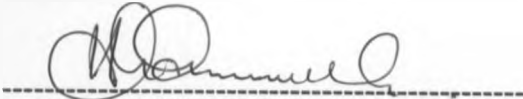
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Date 16/9/2010

Wambugu, Wilfred G.

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This report has been submitted with our approval as University supervisors.

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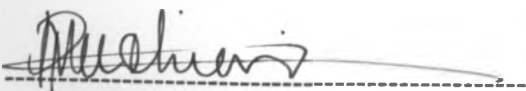
Date 16/9/2010

Dr. Harriet Kidombo

Senior Lecturer

Department of Educational Studies, University of Nairobi.

Signature

Date 17/09/2010

Ms. Patricia Muchiri

Lecturer

Department of Extra Mural Studies, University of Nairobi.

DEDICATION

This work is dedicated to all small scale entrepreneurs, subsistence businessmen and women who work so hard yet get little and at times no returns.

ACKNOWLEDGEMENT

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ABBREVIATIONS AND ACRONYMS

AMFI	-	Association of Microfinance Institutions
BDO	-	Business Development Officer
CBK	-	Central Bank of Kenya
CBO	-	Community Based Organization
GDP	-	Gross Domestic Product
JENGA KENYA	-	Build Kenya
MF	-	Microfinance
MFI	-	Microfinance Institution
MSEs	-	Micro and Small Enterprises
NGO	-	Non Government Organization
SMEs	-	Small and Medium Enterprises
USAID	-	United States Agency for International Development
SPSS	-	Statistical Package for Social Sciences

ABSTRACT

Micro and small enterprises act as providers for goods and services, facilitate transfer of technology, create employment and create wealth. They are also credited with creating over 80% of all new jobs in Kenya and providing a brooding ground for Small and Medium Enterprises with the hope that the enterprises grow to big businesses. The Government of Kenya and other development agencies have put resources to harness the potential presented by these enterprises with the aim of reducing poverty, while creating employment and wealth. Besides these benefits, most of the Micro and Small Enterprises (MSEs) do not survive to their fifth year while others stagnate and are not able to generate permanent and highly remunerative jobs due to numerous challenges they encounter, including competition, low capitalization, insecurity, unskilled management among others. The main objective of this study was to relate Business Performance of MSEs as the dependent Variable to factors that influence it including Demographics, Training on Business Skills and Access to Credit as the Dependent Variables. This study focused on Jenga Kenya clients who operate their MSEs in six districts around Meru town in Eastern Province. This study used descriptive survey design with confidence level set at 95% and the margin level set at 4%. The total population of Jenga Kenya clients being 422 from which sample of 248 respondents were surveyed using questionnaires. To capture the richness in diversity of the population, stratified disproportionate random sampling was employed using the districts as the strata. The data collected was cleaned, organized, coded and SPSS was used in to analyze the data. The findings were presented in Tables and percentages. The study found that; Training on Business Skills and Access to Credit significantly influenced Business Performance of MSEs. It also established that Micro-Finance Institutions were accessible to entrepreneurs of both Gender and was more favorable to women than men. Majority of those accessing training and credit from Jenga Kenya C.B.O. were based in the rural areas and most were operating farm based enterprises. The study also found out that 'terms and conditions' of lending in Micro-Finance Institutions was not a hindrance to entrepreneurs operating MSEs and most of them classified the 'terms and conditions' of borrowing as favorable and acceptable. This study proposes formulation of a curriculum for entrepreneurs running MSEs since most entrepreneurs had practiced the skills they had learned from the trainings offered. Growth of micro and small enterprises in the rural areas should be encouraged since this shall not only provide goods and services to those dwelling in those areas, they also provide an avenue for technology transfer, create wealth, reduce rural urban migration by raising the standards of living and creating opportunities in the rural areas but most of all, reduce poverty and contribute to the GDP of the country.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Microfinance offers promise for alleviating poverty by providing financial services to people traditionally excluded from financial markets. Small-scale loans can relieve capital constraints that might otherwise preclude cash-strapped entrepreneurs from investing in profitable businesses, while savings services can create opportunities to accumulate wealth in safe repositories and to manage risk through asset diversification. While this promise of microfinance is widely touted, it is infrequently subject to careful evaluation using detailed data (Osterloh et al, 2006)

Micro and Small enterprises form an integral part of the Kenyan society. In Kenya, the MSEs are credited with creating 80% of all new jobs and have hence formed part of government strategy in job creation, poverty eradication and economic growth (Sessional Paper No.2 of 2005)

There are many players purportedly working to assist in the growth of MSEs from both the public and private sector. The public sector has mainly non-profit oriented organizations, which are funded by the government of Kenya or by the donor community while on the other hand the private sector has both the non-profit and the for profit institutions. The non-profit institutions are mainly NGOs most of which are religious and philanthropic groups. The not- for profit players are few and far apart while compared to the for profit institutions which have penetrated to most parts of Kenya including into very remote areas. The For-profit institutions include Banks, Micro-finance institutions, SACCOs, ROSCAs, merry-go-rounds, shy-locks among others. (Central Bank, 2007)

Microfinance refers to small-scale financial services such as cash loans, money transfers, direct deposits, savings, and insurance made accessible primarily to the poor. Two prominent features of successful microfinance institution building are group lending and savings (Yaron, 1994).

Just like there are many Micro-finance service providers so are there many products on offer. Micro-Finance institutions have taken to avail credit to MSEs at terms that are affordable to Micro and Small Entrepreneurs. These terms include credit without strict requirement on collaterals, flexible repayments procedures, low loan setup fees, and easy entry procedures. This does not however come without challenges since any lender must establish creditworthiness of the borrower before lending to mitigate on the risk on loosing the money loaned out. Typically, MSEs do not have formal records, history of credit or regular wage salary and thus MFIs have resulted in using group lending to circumnavigate this challenge.(Central Bank, 2007)

The groups help overcome this risk by ensuring that they only recruit good members to their groups to avoid cases of failed groups because of bad members and secondly they also ensure that they only give those 'good members' loan amounts that they are able to service. This has given rise to one most popular product available through micro-finance institutions referred to as group lending. Popularized by the Grameen Bank in Bangladesh, group lending refers to the practice of issuing loans to individual members of homogeneous groups usually ranging from five to fifty members. Participants self-select into autonomous groups, which collectively guarantee loans, issued to their members. All members are barred from further access to credit in the case of default by one group member, providing strong incentives for the group to ensure repayment by each individual borrower. These self –selected group members ideally have deep knowledge of each other and are thus able to guarantee each others loans out. (Yaron, 1994)

Enterprise growth in terms of size and number of enterprises has also been dynamic with businesses being affected by occurrences in their surrounding and risk factors becoming more complex and unpredictable. Many micro-enterprises have been unable to meet the expectations of the proprietors and their mortality rates remain high. (Government of Kenya, Sessional Paper 2 of 2005)

1.11 Jenga Kenya C.B.O.

Jenga Kenya is an indigenous MFI which is owned and operated 100% by Kenyans. Jenga Kenya serves Kenyans above the age of 18yrs who have a legal small or micro enterprise. These MSEs may or may not have any formal registration or licenses. As compared with other MFIs, Jenga Kenya's portfolio has 80% clients based in the rural areas (Jenga Kenya Profile, 2009) and thus this portfolio represents the dynamics of MSEs than in portfolios of other institutions which may have relatively larger businesses often referred to as Small and Medium Enterprises (SMEs). Jenga Kenya has been in operation for 5 years and this gives a good spectrum for a survey since there is a fair mix between new and old clients thus representing the customer expectations and customer satisfaction of MFI clients. The services offered by micro-finance institutions aim at helping the micro-entrepreneurs realize the potential of their businesses by providing Credit and training and this study seeks to establish the influence of availing credit and training services as seen in Jenga Kenya Community Based Organization's case.

1.2 Statement of the problem

Jenga Kenya started in the year 2005 and has grown to currently hold a portfolio of 422 clients organized in 32 groups being served by 3 field based Business Development officers (BDOs) and 2 support staff (Jenga Kenya Annual Report, 2009). As it is the case with many MFIs, no detailed assessment has been carried out to show the influence of availing credit and training services on business performance of SMEs. The products on offer by Jenga Kenya have been designed to increase performance of micro and small enterprises. This study assessed the influence of access to credit, training and demographics on business performance of Micro and Small Enterprises.

1.3 Purpose of the study

The purpose of this study was to assess the influence of access to credit, training and demographics on business performance of Micro and Small Enterprises.

1.4 Objectives of this study.

This study was guided by the following objectives. To:

1. Establish the influence of access to credit on business performance of MSEs.
2. Explore the influence of training on business performance of MSEs.
3. Establish the influence of demographics on business performance of MSEs.

1.5 Research questions

These are the research questions that guided study.

1. How does access to credit influence business performance of MSEs?
2. What is the influence of training on business performance of MSEs?
3. How do demographics influence business performance of MSEs?

1.6 Scope of the Study

This study relates factors influencing the business performance of MSEs and was conducted in Jenga Kenya CBO's clients. Jenga Kenya CBO has 422 clients organized in 32 Self Help Groups distributed in 6 districts in the larger Meru region, Eastern province of Kenya. Many of these entrepreneurs run subsistence businesses and it is thus hard to deduce profit since business and personal expenses are interchangeable while at the same time they do not keep formal records. The researcher depended on information as filled in the questionnaire or given orally and used sales volume and diversification of product lines as indicators of business performance. This study was not experimental and thus did not hold a control group to compare impact with a treated group.

The researcher assisted entrepreneurs who did not know how to read and write in filling the questionnaires and helped clarify issues to any respondents who needed further clarification. The researcher explained to all the respondents that all information collected through this research was to be treated as confidential and for research purposes only to remove any doubts about its use, which might have resulted in biased responses.

1.7 Assumptions of the Study

The researcher assumed that Jenga Kenya CBO clients had running businesses and that the micro-entrepreneurs remembered and reported accurately impacts their businesses had experienced as a result of the services offered by Jenga Kenya CBO. The researcher assumed that information given by the respondents was true and gave true indications of the influence of services rendered by Jenga Kenya CBO.

1.8 Definition Of Significant Terms

Business Performance - Business may either perform well leading to good business performance or perform poorly. Good business performance may also be referred to as business success and is characterized by increase in business value. This may be illustrated by surplus after trading, increase of asset value, ability to meet family needs and personal satisfaction. Widely accepted indicators of good business performance include profits, sustainability and large market share.

Demographics – These are statistical characteristics of human population with regard to socioeconomic factors such as age, income, sex, occupation, education, family size and geographical location. They are related to lifestyle factors such as culture, religion and beliefs, values, political convictions, hobbies, eating habits and entertainment preferences. There are usually demographic changes over time. Psychographic landscape usually relates with the demographic landscape.

Demographic Trends - These describe the changes in demographics in a population over time.

Loan - It is a type of debt. It entails the redistribution of financial asset over time between the borrower and the lender. The borrower initially receives (borrows) an amount of money called the principal from the lender and is obligated to repay at a later time. It is generally provided at a cost referred to as interest.

Micro and Small Enterprises – they are businesses that are not dominant in their sector. Their ownership is mainly sole proprietorship or partnership. They require little capital, and few skills if any. They are mainly run by their owners or family members and any other employee subordinates them.

Micro-Finance – These are the small-scale financial services such as cash loans, money transfers, direct deposits and savings made accessible primarily to the poor. Two prominent features of successful microfinance institution building are group lending and savings

Needs - Positive, motivating hunger that compels action for it's satisfaction. Needs range from basic survival needs (common to all human beings) satisfied by necessities to cultural, intellectual and social needs (which vary from place to place and age group to age group) satisfied by necessaries.

Psychographics - They are attributes relating to personality, Values, attitudes, interests or lifestyles. They are also commonly referred to as IAO variables for Interest, Activities, and Opinion.

Self efficacy - It is a personal belief in his or her ability to succeed in a particular situation. It is the belief in one's capability to organize and execute the courses of action required to manage prospective situations. They are the beliefs that are determinants of how people think, behave and feel.

CHAPTER TWO
LITERATURE REVIEW

2.1. Introduction

This chapter shows literature related to business performance of MSEs as documented by others who have researched and or written on this subject. This chapter is organized in the following subtopics: Micro and Small enterprises, business performance, training, access to credit, demographics and types of business.

2.2. Micro and Small Enterprises (MSEs)

Micro and small enterprises are mainly sole proprietorship or family businesses not dominant in their line of business. Many of them are started to earn a livelihood as opposed to those started to earn profits but evolve and possibly grow to earn profits.

In the rural areas, many of the MSEs are agricultural farm based enterprises which operate from the owner's farm or where the owner leases a piece of land to run the enterprise. Other types are the small scale manufacturing enterprises most of which use locally available raw materials and use locally available labour. Many of the MSEs are labour intensive and use simple technology if any.(Sessional paper no.2, 2005)

One of the characteristics of entrepreneurs is their desire for responsibility. The entrepreneur feels a personal responsibility for the outcome of ventures in which they are associated (Zimmerer etal 1998). This personal responsibility causes many small and micro-entrepreneurs take their personal assets into businesses and business assets for personal use. In farm based enterprises, the same food crops grown for sale are the same used for food and the labor offered at production is not associated as a cost.

Impact of microfinance is assumed to occur at any or more of the following levels: the individual, the household, the enterprise and the community level. But determining impact on poverty reduction is difficult because "poverty" means different things to different people and is hard to measure. Effects on poverty reduction are also hard to attribute because the impact chain is complex – there are a host of mediating factors such

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as service features, client's characteristics, geography, social structure and power relations, infrastructure, and the macro economy. (Microfinance in Africa)

2.3. **Business Performance of Small and Micro Enterprises**

The primary objective of going into business is making profit, and a business may be basically said to be performing well if it is making profit. But differences in profit margins, value of business at the end of trading season and personal satisfaction are just some of the examples that show that profitability alone is not a show of business success. Outcome of going into business is either success or failure, in other words a business either grows or declines, there is rarely a third alternative. Business that might appear to be stagnating could actually be declining as competitors take an increasing share of a growing market left by other firms (Kibuka, 1998)

Business Performance is relative to the framework of evaluation meaning what may be considered a success by one person may be viewed to the contrary by another person meaning that there may be several frameworks of evaluating business success. There are three approaches to evaluating business performance namely, Accountant perspective, the marketing perspective and the operations perspective. In the accountant's perspective the basic indicator of business success is attainment of financial muscle. There are ratios that have been developed that precisely indicate the health of a business from a financial perspective. Based on the fact that profit is equal to sales revenue less cost of sales, and capital employed can be split into fixed assets (long term) and current assets (short term). However, it is evident that the concept becomes more strained the further down the pyramid one proceeds, and although the pyramid provides a clear connection between values. Ratios like cash flow and liquidity. These give rise to five key ratios namely: *the current ratio*, equal to current assets divided by current liabilities, *quick ratio* also popularly referred as acid test, equal to quick assets (current assets less inventory) divided by current liabilities, *inventory turn over period*, equal to inventories divided by cost of sales with the result expressed in terms of days or months, *debtors to sales ratio*, with the result again being expressed as an average collection period, and finally the *creditors to purchase ratio*, also expressed as an average payment period The marketing

perspective takes a view that marketing needs to focus less on completing the individual transaction and more on developing long-term relationships with profitable customers. This approach takes into account market orientation, customer satisfaction, customer loyalty and brand equity.(Neely, 2002)

Other tools of measuring business performance include the balanced scorecard developed by the Harvard Business School, the European foundation for quality management scheme, and Economic value added though there is a looming measurement crisis referred to as the 'measurement madness' where people are so obsessed with measurement. The desire to measure and quantify has become overwhelming.(Austin 2002)

The above mentioned conventional methods of business performance appraisal are however hard to use with micro and small enterprises since the tools employed in those methods are not available at most small enterprises since many do not keep long-term records like records on purchases, sales, expenses and stocks. Many small scale traders do not calculate profits and they do not ascribe to any accounting procedures or keep any accounting calendars. Many of them are however able to give relatively accurate information on major operations parameters like sales and purchases. Many entrepreneurs run their businesses in such a way that there is no way to separate their business and personal possessions and dealings. One of the characteristics of entrepreneurs is their desire for responsibility. The entrepreneur feels a personal responsibility for the outcome of ventures in which they are associated. This personal responsibility causes many small and micro-entrepreneurs take their personal assets into businesses and business assets for personal use. In farm based enterprises, the same food crops grown for sale are the same used for food and the labor offered at production is not associated as a cost. This makes evaluating business performance using conventional techniques difficult. (Zimmerer etal 1998).

2.4. Business Skills Training

Characteristics of a successful entrepreneur include high level of independence and self confidence, determination and perseverance, they are goal oriented (they know what they want), have a need to achieve and they thus set high standards, they are creative and always think of new ways and they are able to make decisions and act quickly if possible. (Greene 2006)

Training involves impartation of skills that assist the entrepreneur make correct judgments and make the right choices. Many small businesses are solely run by their owners, who make all the decisions. This puts the micro-entrepreneurs as a key factor in the success of their business since if they consistently make good decisions their business will succeed while bad decisions will cause their business to perform poorly. It is these skills that help entrepreneurs identify opportunities and effectively utilize them to move resources from a region of lower value to a region of higher value.

To make good decisions one needs the relevant information and knowledge of how to interpret it. Business people who know how to get information and interpret it make decisions that help their enterprises grow. Good business skills training should help entrepreneurs know what information they may need, how to keep records and how to interpret what they mean.(Chebair, 2004)

Many chances come our way, we however fail to take advantage of them and most of us get wiser after the opportunity has passed and the money has gone. It is only then that we consider the many things we could have done and how we could have productively used the money. Unfortunately it is then often too late. To be able to make money productive, one needs to recognize or identify opportunities and use them. This takes awareness, effort and planning. (Kibuka, 1998)

This awareness of the available opportunities is among the skills needed for successful running of an enterprise and business skills training should seek to impart this skill. As the business grows, the entrepreneur will need other people to help in his operations. He may recruit employees or ask his immediate family to help with

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business operations. In either case his ability to communicate, remain in control and motivate the people he is working with is a major factor that will determine if his business succeeds or fails. Good entrepreneurial training should help entrepreneurs gain a skill to maintain business control and manage human resource. The major problems associated with micro-entrepreneurial training programs include use of academic content which is irrelevant to the entrepreneur, use of instructional techniques where entrepreneurs take a passive role of 'knew knowledge' while facilitators play an active role of imparting knowledge without being questioned and in many cases lenders demand some trainings as a pre-requisite to accessing credit and participants take it as an obligation. Adult learners also find it difficult to learn new ideas that contradict cultural norms, if they consider it risky to implement the new idea, if they are in a new unfamiliar setup or if knowledge being taught is too new or too academic. They may also find the ideas taught difficult to implement if the environment is too restrictive, if the ideas are inappropriate or if they lack after training support. (Chebair, 2004)

In day to day running of a business, entrepreneurs are faced by different changing situations and they are called upon to respond. A well skilled entrepreneur will out perform his competitors by making informed decisions which will make his business perform better and will thus acquire a bigger market share.

2.5. Access To Credit

A major aim of the MF movement is to provide funds for investing in micro business thus lifting people out of poverty and promoting economic growth. Recent experience and the economic history of rich countries, however suggest that those expectations are unrealistic (Dichter, 2003)

We have unlimited wants to satisfy but have limited resources which can only satisfy a few of them. This call for decisions making to determine which needs to satisfy at any particular time by determining the order of importance of doing things at a

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particular time (setting priorities) (Brown et all, 2004). Loans however enable borrowers to spend money they have not yet earned and pay it back when they earn it. This may be a failure trap for entrepreneurs who use this avenue to deplete potential while creating little or no value both for present or future.

Entrepreneurs have to take steps to ensure adequate cash-flow to enhance business performance. One source of money is credit. Micro entrepreneurs may get credit to add stock, start a new product line or get better economies of scale. But considering the marginal benefit and marginal cost of taking the loan there is need for the entrepreneur to ensure that the cost of the loan is less than the additional benefits that will come due to the loan or in other words for a loan to profit the business the marginal benefits have to exceed marginal cost of taking that loan.

2.6. Demographics

The entrepreneur is a key determinant of business performance and more explicitly in micro and small enterprises. Demographical factors including age, gender, income, level of education, previous or current positions and so on influence greatly entrepreneurial performance.

Demographic factors also greatly affect business related factors like competition and customer expectation. Every human being will align their efforts to meet the lowest of their needs in their hierarchical pyramid. Their first target is to meet the psychological needs of water, oxygen, sleep, sex and sensory satisfaction. This is then followed by safety needs, social needs, esteem needs and eventually self actualization. Once the individual has moved up to the next level, the needs in the lower level will no longer be prioritized. If a lower set of needs is no-longer being met, the individual will temporarily reprioritize these needs by focusing attention on the unfulfilled need but not permanently regress to the lower level. (Kariuki, 2009)

Many entrepreneurs of the same demographical background will have similar needs and may thus be said to be working to meet similar needs in the hierarchy of needs.

As women find the door to executive domain closed, more of them are choosing to strike out on their own. Further, women also find that owning a business allows them to satisfy personal needs like family involvement and childbearing more easily than working for a large company. (Zimmerer etal, 1998) The environment that a business operates in is a major factor that determines its performance.

2.7. Type Of Business

Different businesses have their advantages and challenges that are unique to their industry. 'Michael porter five forces of competition' helps identify the attractiveness of an industry in terms of competitive forces. 'The five forces for industry analysis' analyze Rivalry among competitors, threat of substitutes, threat of new entrants, bargaining power of suppliers and the buyers bargaining power. These factors are considered within an industry and their analysis will be different from those of another industry. This shows that a business in one industry may be more likely to succeed than another in a given industry given the same resources due their respective industrial performance environment.

Type in the context of this study may imply the difference in size, for example a small retail shop may be playing in different dynamics than a shop selling the same wares but bigger in size and in wholesale. Major classification of businesses include Farm and Non-Farm, Manufacturing, Service, and trade. The paper also introduces the aspect of subsistence and low value addition as a classification which may set some businesses apart from others.(sessional paper no.2 of 2005)

MSEs involved in manufacturing are labor intensive, take low capital to start, are usually less complicated and use simple skill and technologies. They often use locally made equipment and technology and local raw materials. They can be viable at small volumes of production or sales and are therefore started to exploit scattered deposits of raw materials and supply pockets of market which would not be viable for large scale enterprises. They are found in remote places in the rural areas and therefore bring modern technology closer to people and help demystify it. This also promotes

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spread of industrial and business culture and the growth of entrepreneurship. They also encourage savings in the community and promote the participation of indigenous people in business and investment. (Kibuka, 1998)

The MSEs cut across all sectors in the Kenyan economy and provide the most prolific source of employment and are a breeding ground for Medium and Large Enterprises (Sessional Paper 2 of 2005)

2.8 Conceptual Framework

The conceptual Framework shows how Business Performance of MSEs being the dependent Variable is dependent on Training on business skills, Access to credit and Demographics which in this study are the independent Variables. This study looked into the relationships between these variables.

Though there are other factors affecting the relationship between the above said variables as show in the conceptual framework, this study focused on how business performance of MSEs is influenced by Demographics, Access to credit and Training on business skills and while extraneous variables like the state of the economy, Business institutional factors and the type of entrepreneur were not studied.

2.9 Summary of Chapter Two

This chapter reviewed the literature of other scholars who have studied the factor influencing business performance. Their various views have been put into consideration while formulating the methodology of study and were of great use while carrying out the study because they helped the researcher to focus his research objectively.

Independent Variables

Access to credit.

Training on business skills

Demographics. • Age • Gender • Level of education • Type of Business

Extraneous Variables
• State of Kenyan Economy
• Business institutional factors.
• Type of entrepreneur.

Dependent Variable
• Business Performance
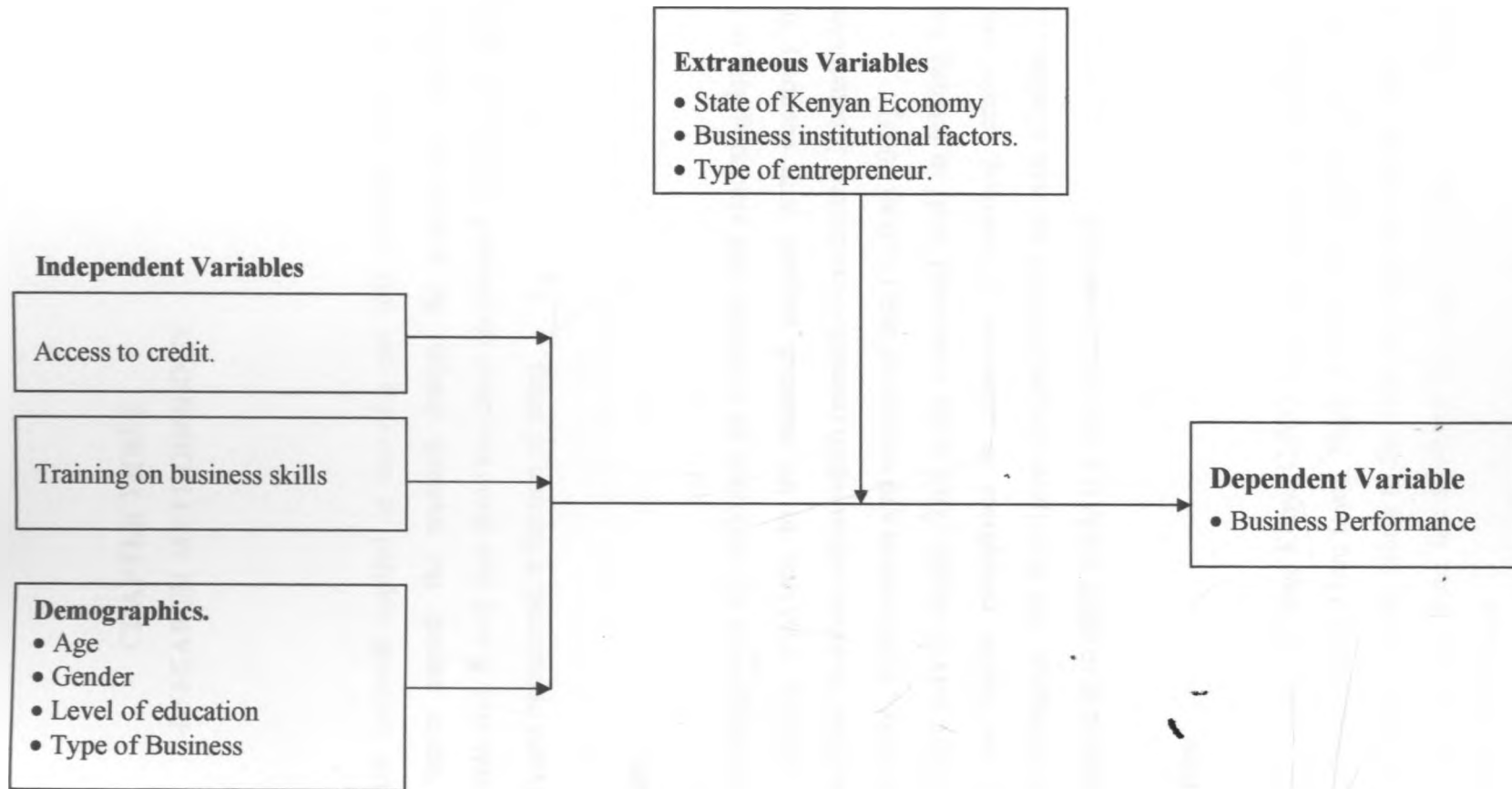
Figure 1: Conceptual framewor

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction.

This chapter details the methods applied in carrying out this research study. It is organized under the topics named: the research design, the population, Sampling techniques and the sample size. It will also show the detail on research instruments, data collection, data analysis and operational definition of terms.

3.2   Research Design.

A research design is the arrangement of conditions for collecting and analyzing data in a manner that aims to combine relevance to the research purpose with economy in procedure. It is the conceptual structure within which research is conducted. It constitutes the blueprint for the collection, measurement and analysis of data (Kothari 2003)

This study used descriptive survey design. This study concerned itself in relating the performance of small and micro enterprises to influence of training, credit and demographics on that performance. The descriptive design describes the state of affairs of the issues under investigation or in other words is a fact finding mission.

3.3   Target Population

This study focused on the clients of Jenga Kenya C.B.O. who were spread in six districts of Eastern province in Kenya around Meru town. These districts are Tigania East to the East, Tigania West to the North, Imenti North to the west, Mwimbi and south Imenti to the south while Meru central cuts from the south to the west of Meru town. Meru municipality is in Imenti North District.

Jenga Kenya has 422 clients organized in 31 groups which vary in membership numbers, the smallest having 6 members and the largest having 26 members.

The groups are diverse due to their diverse locations, their different enterprises and their composition. Some groups like Kibaranyaki and Baraka are women only, others like Kanyuru and Antuamakia are men only while the rest are composed of both men and women. Some groups like Karanene consist of close family members while others are business associates or friends.

Appendix 1 shows how clients are distributed putting groups in their respective districts. It shows the name of each group and the number of clients for every group.

3.4   Sampling Design

Jenga Kenya clients are organized in groups as shown in appendix 1. These groups are different in size, composition and location. The groups are also managed differently since they are served by different Business Development Officers. Since they are spread in six districts, their geographical diversity also means that their businesses are diverse since some areas enjoy more infrastructure than others and the climatic conditions are different. This calls for an effort to ensure that different aspects that may be exhibited in different locations are well captured.

To capture the richness of the diversity of the population, this study applied stratified disproportionate random sampling using the districts as the strata. This ensured that distinct characteristics that were exhibited in any of the six districts were captured.

3.5 Sample Size

The sample size was determined using the formula (Orme, 2010)

$$e = z \sqrt{\{(1-f)pq/n-1\}}$$

Such that $e^2 = z^2 \{(1-f)pq/n-1\}$

Where: e = margin of error

z = value associated with confidence interval

f = n/N

p = the sample estimate of the proportion of the population

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q = 1-p

n = sample size

N = population size

The population = N = 422.

The confidence level was set at 95%, the margin of error also referred to as the confidence interval set at 4% the z = 1.96 and e = 0.04. When there is a disagreement in the population in a survey the standard error of the proportion is small and the value of p is close to one or zero, but when there is disagreement, the value is close to 0.5. Then the most conservative approach is to give p = 0.5 so that q = 1- p = 0.5 thus giving the largest standard error and widest margin of error.

Thus the equation now takes the form:

$(0.04)^2 = (1.96)^2 (1- n/422)(0.5)^2 /n-1$: where the only unknown figure is n

After calculations:

n = 247.379

Therefore the sample size, n = 248.

3.6 Sampling Technique

Stratified disproportionate random sampling was employed in this study to ensure that the diversity exhibited by different strata in this case the districts covered by Jenga Kenya services were all surveyed. In each case papers uniform in size and shape with names of groups were folded uniformly and the officer responsible for each area were requested to pick two papers containing names of two groups for each of the districts they served. The identified groups were visited by the researcher and the clients were requested pick one of pre-prepared same size papers, written yes or no. The papers designated yes were equal to the number of respondents to be interviewed while the number designated no were equal to the remaining number to make the total in all groups that was to be sampled.

Table 3.1 below shows the distribution of clients interviewed as shown per district showing the number of groups sampled per district.

Table 3.1. Sample Distribution per District

District	Population	Sample size	Number of groups
Mwimbi	19	10	1
South Imenti	29	15	2
Tigania East	109	66	7
Tigania West	48	30	3
Meru Central	126	70	7
Imenti North	91	57	6
Total	422	248	26

3.7   Research Instruments

This research used questionnaires as its research instrument. The questionnaire was administered to the selected Jenga Kenya clients who as shown in table 3.1. The questionnaire had 21 questions organized in four sections namely: Demographics, Training, Access to Credit and Business Performance. There were 18 closed ended questions and 3 open ended questions while one question had two sections, part 'a' was closed ended while part 'b' was open ended

3.8 Reliability of the Research Instruments

The research instruments in this case the questionnaire was checked for reliability by test retest method.

In the test retest technique, the questionnaire was administered to Nkoune Self Help Group twice during the pilot study. The researcher selected a group because it was the easiest group to access from Meru town and clients were available on all days of the week unlike the others who were only available on the days of group meetings. The results were consistent and the research instrument was considered reliable.

3.9 Validity of the Research Instruments

For validity of the research instrument the researcher discussed the instruments with other post graduate students and also with the supervisors and they passed the instrument as valid. The instrument was further discussed with Jenga Kenya B.D.O.s who also passed the instrument for Validity.

3.10   Data Collection

Data was collected through administration of questionnaires to group members of Jenga Kenya groups at group meetings. The researcher visited the selected groups accompanied by the respective Business Development Officers (B.D.O.) who serve those groups in their scheduled days of meetings. After their group business, the B.D.O.s introduced the researcher to the group members and gave him a chance to explain the purpose of the questionnaire, responded to concerns and queries of the respondents and then requested them to fill the questionnaires.

The researcher assisted those who did not know how to read and write, while allowing the choice to those who wanted to respond to open questions in Swahili or any other local language to give room for more open and detailed explanations.

3.11   Data Analysis Method

The raw data obtained from the field was coded to classify answers to their respective questions to get meaningful categories as per their research questions. The questionnaire was designed in such a way that most variables had more than one question which are complementary to ensure validity of information given in the questionnaire. The researcher used Statistical Packages for Social Sciences (SPSS) to analyze the data. The analyzed data was presented in form of tables and percentages and conclusions made.

3.12 summary of Chapter Three

This chapter gave a framework that guided the researcher through all the stages and processes of this research. The researcher collected data from 248 respondents this data was used for this research.

TABLE 3.2: OPERATIONALIZATION TABLE

Objective	Variables	Indicators	Measurement	Measuring Scale	Type of Analysis
1. To establish the influence of access to credit on business performance of micro and small enterprises.	**Dependent Variable** Business Performance of MSEs	➢ Increase in Earnings	Sales	Ratio	Descriptive
		➢ Diversification	New products introduced.	Ratio	Descriptive
			New Branches established	Ratio	Descriptive

Objective	Variables	Indicators	Measurement	Measuring Scale	Type Of Analysis
1. To establish the influence of access to credit on business performance of micro and small enterprises.	**Independent Variable** Access to credit	• Number of Loans taken	-None = 0 -Few = 1 – 4 -Many = >4	Ordinal	Descriptive
		• Amount Borrowed	-None = 0 -Little = 1–20,000 -Average= 20,001-100,000 -Big= > 100,000	Ordinal	Descriptive
		• Terms and conditions of credit.	-Favorable -Acceptable -Difficult -Unattainable	Ordinal	Descriptive

Objective	Variables	Indicators	Measurement	Measuring Scale	Type Of Analysis
2. To explore the influence of training on business performance	**Independent Variable** Provision of training to entrepreneurs	• Number of trainings attended	-None = 0 -Few = 1 to 2 -Many = >2	Ordinal	Descriptive
	Independent Variable Practical value attached	➢ Rating by entrepreneurs	- Not practical -Low - Medium -High	Ordinal	Descriptive
	Independent Variable Practiced acquired skills	➢ Applied Concepts	-None = 0 -Low = 1 - Medium = 2 -High = >2	Ordinal	Descriptive

Objective	Variables	Indicators	Measurement	Measuring Scale	Type Of Analysis
3. To establish the influence of demographics on business performance.	**Independent Variable** Demographics	Gender	Male Female	Ordinal	Descriptive
		Age	Below 26 yrs 26 – 35 yrs 36 – 45 yrs Over 45 yrs	Ordinal	Descriptive
		Level of education	None Elementary Secondary Technical	Ordinal	Descriptive
		Type of Business			

CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter shows the analyses and presents the interpretations from the data collected from the data collection tools, that is, questionnaires presented. It interprets the data in relation to the research objectives and research questions. The findings or results are analyzed using different types of data analysis methods. The purpose and scope of the analysis was to assess the factors that influence business performance of Micro and Small Enterprises. The factors under study were Demographics, Training on Business Skills and Access to Credit. The factors under study were Demographics, Training on Business Skills and Access to Credit.

This chapter is organized into demographics, trainng, access to credit and business performance.

4.2 Response Rate

In this study 252 questionnaires were give to Jenga Kenya clients, of these 248 were filled. 4 clients from Abwetene Self Help Group declined to fill the questionnaires on the basis that the information was private and might be used by competitors to get advantage over them. The researcher made efforts to convince them but the influence of one of their group leaders lead the four in declining to respond to the questions. Thus the response rate was 98.4%. The open ended questions had a response rate of 80%.

4.3 Demographical Profile of Respondents

The factors considered in demographics were gender, marital status, age, level of Education, type and location of business that the respondents engaged in.

4.31 Gender of Respondents

There was found to be respondents of both genders. Females were more than males but no gender would be said to dominate.

Table 4.1 Distribution of respondents by Gender

Gender	Tally	Percentage
Male	114	45.2
Female	138	54.8
Total	252	100.0

Table 4.1 illustrates that females were more than males where 114 of the respondents were males and 138 were females representing 55% as opposed to only 45% who are male.

4.32 Marital Status of the Respondents

Table 4.2 Marital status of the respondents.

Marital Status	Tally	Percentage
Single	20	8.1
Married	199	80.9
Separated/ Divorced	14	5.7
Widowed	13	5.3
Total	**246**	**100.0**

From the data collected as presented in Table 4.2 showed that the highest respondent were married at 80.9% of the total population with the least being windowed with 5% with the singles being 8.1%. noting that the institution only recruits adults and that many young adults result to starting enterprises only when they cannot get formal employment, then the results mean that the institution gives access to clients of different marital status.

4.33 Age of the Respondents

Majority of the respondents aged between 36 years and 45 years as seeen in Table 4.3. This may be interpreted in the light that since the Kenyan population according to economic survey 2009 has a higher population of youth as compared to older people, then MFI services are more available to older entrepreneurs than to younger entrepreneurs. If this is further interpreted in the light of marital status as seen in Table 4.2, where only 8.1% were singles, then the services were not readily accessible to those below 26 years especially the singles but was very accessible to those older than 35 years.

Table 4.3   Age distribution of the respondents.

Age Group	Tally	Percentage
Below 26 Yrs	16	6.4
26-35 Yrs	61	24.5
36-45 Yrs	100	40.2
Above 45 Yrs	72	28.9
Total	**249**	**100.0**

4.34 Type of Business

Most of the enterprises were Farm Based representing 71.7% of total respondents as seen in table 4.4 while the others were trade and service which had 12.7% and 10.2 % respectively. The lowest number was of the manufacturing based enterprises which only accounted for 5.3 %. This means that the institution is pro – Agricultural enterprises.

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Table 4.4 Types of businesses of the respondents.

Type of Business	Tally	Percentage
On Farm	175	71.7
Trade	31	12.7
Manufacturing	13	5.3
Service	25	10.2
Total	**244**	**100.0**

4.35 Level of Education of the Respondents

Majority of the entrepreneurs had some formal education where the majority as seen in Table 4.5 had primary education followed by those with secondary education. Those who have had primary combined with those of secondary and tertiary education accounted for 91.2 % of the respondent as seen in Table 4.5 which means that the services of this institution are more accessible to those with some form of formal education than those without any education.

Table 4.5 Level of Education of the respondents.

Level of Education	Tally	Percentage
No Education	13	5.2
Primary	142	57.0
Secondary	77	30.9
Tertiary	8	3.2
Other	9	3.6
Total	**249**	**100.0**

4.36 Duration in Microfinance

Most of the clients had been in microfinance for less than three years constituting 59.6 % while 34.7 % had been in microfinance between three and five years where as only 5.7 % of the respondents were in the institution for over five years as seen in table 4.6.

When interpreted in the context of Jenga Kenya which has only operated for six years, then this means that the clients tend to remain in the institution once they have joined. This also symbolizes that the clients appreciate the terms given by the organization.

Table 4.6 Duration Respondents had been in Microfinance

Duration in Microfinance	Tally	Percentage
Within 2 Yrs	146	59.6
3-5 Yrs	85	34.7
Above 5 Yrs	14	5.7
Total	**245**	**100.0**

4.37 Number of Dependents

Majority of the respondents had more the two dependents with 55.1 % having between 3 and 5 dependents while 34.8 % had more than 5 dependents. Only 10.1 % had 2 or less dependent. This is well illustrated in Table 4.7 below.

Table 4.7 Number of dependents the respondents had.

Number Of Dependents	Tally	Percentage
2 or Less	25	10.1
3 to 5	136	55.1
Above 5	86	34.8
Total	247	100.0

4.38 Location of Businesses

The majority of the enterprises were located at home accounting for 72.4 % and additional 17.1 % were located near home in the rural areas. This means that of all respondents, 89.5% did their business near their homes leaving only 10.5 % doing their businesses in urban centres and other rural centres away from home. As seen in table 4.8 below, the lowest percentage had their businesses located in urban areas at 5.3% with an equal number running their businesses away from home but in the rural setting.

Table 4.8 Location of Enterprises of Jenga Kenya Clients

Enterprises Location	Tally	Percentage
At Home	178	72.4
Rural Area	42	17.1
Away	13	5.3
Urban	13	5.3
Total	246	100.0

4.4 TRAINING

The clients indicated that the training was important to them and that the benefit of the training offered influenced performance of their businesses positively. 42.3 % had attended more than 2 trainings which is an indication of the importance they attached to the training. This is also evident in the rating the clients gave the trainings they received as seen in table 4.10, where 55.7 % percent said that the training was of very much help and another 22.5 % said it was of fairly much help. Thus the training given to the clients was important to them and it added value to their businesses.

Table 4.9 Number of trainings attended by respondents.

Trainings Attended	Tally	Percentage
None	22	8.9
1 – 2	121	48.8
More Than 2	105	42.3
Total	**248**	**100.0**

Table 4.10 Feelings of the entrepreneurs about training received.

Help of Training	Tally	Percentage
None	17	7.0
Little	36	14.8
Fairly Much	55	22.5
Very Much	136	55.7
Total	**244**	**100.0**

The respondents indicated that the training they had received was of importance to most of them with 55.7 % saying it was of 'Very Much Help" and another 22.5 % saying it helped 'Fairly Much' and another 14.8 % saying it was of little help. Only 7.0 % of the respondents said the training was of 'No Help'.

Table 4.11 Ways Entrepreneurs had implemented the learned skills.

Skills Implemented	Tally	Percentage
Improved Management	50	20.2
Diversification	47	19.0
Modern Farming Practices	40	16.1
Improved Customer Relations	23	9.3
Others	38	15.3
No Responses	50	20.2
Total	**248**	**100.0**

When asked in an open ended question, the response rate dropped from 98% to 80 % where about 20% of the questionnaires were returned without response in the open ended question. However, the 80% who responded were able to specify certain skills they had implemented after the trainings they had received with 20.2% saying they were now using modern farming practices, 37% saying they had improved in their management skills, 23.5 % having diversified their businesses and 19.3 % gave other diverse ways which they had implemented the learned skills. This is illustrated in table 4.11 above which suggested that besides that many benefited from the training and were sure of how they had applied the skills learnt, 20.2 % did not respond to the open ended question signifying that they might not be sure how they had benefited.

4.5 Access to Credit

Table 4.12 Rating of 'terms and conditions' of Credit as seen by Jenga Kenya Clients.

Terms And Conditions	Tally	Percentage
Very Favorable	111	48.5
Acceptable	94	41.0
Difficult	22	9.6
Unattainable	2	0.9
Total	229	100.0

This section tried to analyze how accessible credit was to entrepreneurs operating MSEs and 89.5 % of the respondents agreed with the terms and conditions of whom 48.5 % said the terms and conditions were 'very favorable' and another 41 % said they were 'acceptable', while the only 0.9 % said the terms were 'unattainable' as illustrated by table 4.12.

Table 4.13 Challenges Faced While Borrowing A Loan.

Challenges	Tally	Percentage
No Problem	128	64.6
Delays	36	18.2
High Setup Cost	7	3.5
Others	27	13.6
Total	**198**	**100.0**

The open question probing the problems the clients encountered while applying for loans from Jenga Kenya had a response rate of 79.9 % and showed that 64.7 % had encountered 'No Problems' with 18.1 % saying there were 'Delays' in getting their loans, 3.5 % indicated that there were 'high costs' to get the loans, while 13.8 % gave other reasons. This 64.7 % seen in table 4.13 are less than the 89.5 % sum of those who said the terms were 'very favorable' and 'acceptable' as seen in table 4.9. this means there are those who may have experienced some challenges but considered the nature of the challenge 'acceptable'.

Only 32.9 % of the clients had never borrowed a loan where 62.6 % had borrowed between one and four loans while only 4.5 % of the respondents had borrowed more than four loans. Majority had borrowed amounts equal to or below Kenya Shillings twenty thousands with 69.1% indicating they had borrowed this as their highest loan. 29.7 % had borrowed between Kenya Shillings twenty thousands and one to one hundred thousands while only 1.1 % had borrowed above one hundred thousands.

4.6 Business Performance of MSEs

This section discusses the performance of the businesses surveyed and uses different approaches to gauge business performance. First the client rated their business performance, then they showed if they had opened new branch(es), or introduced new products after which they rated their sales performance.

4.61 Rating of Performance

The respondents were asked to rate the business performance of their Businesses classifying them as either Improved very much, Improved Fairly, Stagnated or Deteriorated and the findings are as shown in table 4.14

Table 4.14 Business performance of MSEs in the MFI.

Business Performance	Tally	Percentage
Improved Very Much	77	38.3
Improved Fairly	119	59.2
Stagnated	2	1.0
Deteriorated	3	1.5
Total	**201**	**100.0**

Majority of the respondents (97.5 %) as seen in table 4.14 indicated that their businesses had positive performance. Only 1% and 1.5 % of the respondents indicated their businesses as 'stagnated' and 'deteriorated' respectively.

4.62 Branching as an Indicator of Business Performance

The respondents were asked to indicate whether they had opened any new branches and their responses are given in Table 4.15.

Table 4.15 Percentage of Jenga Kenya clients that had started new branches.

New Branches Opened	Tally	Percentage
Yes	119	59.5
No	81	40.5
Total	**200**	**100**

The respondents indicated that 59.5 % had opened new branches while 40.5 % had not opened new branches. Comparing table 4.15 with table 4.14 which shows the businesses indicated to have improved, it shows that there are those who considered their businesses to have improved even without opening new branches. Then we may conclude that opening a new branch may be a higher level performance of an enterprise which we now assign the 59.5 % as per table 4.15.

4.63 New Products as an Indicator of Business Growth

The respondents were asked to indicate if they had introduced new products as a direct result of being in an MFI and their responses are given in table 4.16

Table 4.16 Respondents who had introduced new products as a result of being in Microfinance.

New Products Introduced	Tally	Percentage
Yes	150	76.1
No	47	23.9
Total	**197**	**100**

Further to those who opened new branches as per table 4.14, table 4.15 brings a lower level performance indicator where 76.1 % had introduced new products which if they were not in MF, they would not have introduced while 23.9 % had not introduced new products. This compared to the 97.5 % who indicated that their businesses had 'improved fairly' or 'improved very much' means there are still others whose businesses had improved without starting new branches or introducing new products.

When asked in an open ended question, 56.8 % of them responded and positively indicated a product they had introduced as a sign of growth of their business. Of these, 44.1 % said they had introduced a 'new crop', 28.6 % had introduced 'new farm animals', 3.57% had entered the motorcycle transport industry, 2.4 % had started 'mobile phones charging' business while 21.4 % had started other diverse businesses.

4.64 Sales Performance as an Indicator of Business Performance

To measure Business performance through sales performance, the respondents were asked to rate their sales performance as either increased, remained constant or deteriorated and their responses presented in Table 4.17 below.

Table 4.17 Sales Performance of Respondents in Microfinance

Sales Performance	Tally	Percentage
Increased	164	87.2
Remained Constant	19	10.1
Deteriorated	5	2.7
Total	**188**	**100.0**

When table 4.17 is interpreted together with table 4.14, where 97.5% indicated that their businesses had 'improved fairly' and 'improved very much' the table 4.17 would mean that those whose sales had increased (87.2 %) together with those whose sales had remained constant (10.1 %) which totals to 97.3% and is comparable to 97.5 % in table 4.14 who said that their business had 'improved fairly' and 'improved very much'. Then we can conclude that the only factor which would make a person whose sales have remained constant to term it a positive business performance is the knowledge that the challenges he has withstood were so fierce that his business should have gone down if 'this success factor' had not helped it remain constant.

CHAPTER FIVE:
SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the research study. The results are then compared with previous studies in related areas to provide an in-depth understanding of the research problem. Since the research study only focused on only four variables: demographics, credit access, training and business performance of Micro and Small Enterprises, the researcher also makes recommendations for further research.

5.2 Summary of findings

The information gathered from the respondents showed that the business performance of micro and small enterprises was largely enhanced by increase in training and access to credit.

5.21 Demographics

The gender distribution shows that credit is available to clients of both gender but training and credit in MFIs may be considered more available to women since they were found to be more than men. This may be due to the fact that men may have many other choices which may not be open to women. The period the clients had been in microfinance was also found to be fair since the institution was six years and many clients recruited at start were still with the institution.

5.22 Access to Credit

It was found out that the 'terms and conditions' of borrowing did not present hindrances to most borrowers.

The findings showed that the clients are able to access credit and as reflected in section 4.3 small loan amounts were more accessible than larger amounts. This means that clients are able to expand their businesses in progressive steps but the facilities may not be equally accessible to those who want make large investments.

Some groups traditionally considered excluded were found to be majority in this research including women who are considered excluded from financial services but women formed the majority and also farming enterprises formed the majority where as traditionally they are considered not able to access credit. Considering the above Microfinance may thus be considered a good tool of financial inclusion as envisioned in Sessional paper 2 of 2005 and considering that a reasonable per 62.2 % of the population had only primary education or lower.

5.23 Training

Training was highly regarded by all clients and respondents considered training an important component. Training may thus be fronted as an effective tool of effecting change since most of the respondents attended repeat trainings and had implemented some of the skills learned at the trainings attended. Most clients directly related their improvement of their business performance to skills that they had learned and implemented. The success of the MSEs depends on how accessible credit is and training on business skills; the more effective the training, the more efficient the performance; when the entrepreneurs are trained their performance improves and this means they become more productive and efficient; training benefits the entrepreneur as he acquires skills that help him to perform better as a result of better consistent productivity.

5.3 Discussion of Findings

This research found that entrepreneurs operating MSEs had access to credit through Jenga Kenya as it is envisioned in Sessional Paper 2 of 2005 that MFIs would avail credit to entrepreneurs traditionally excluded by other financial service providers; some of those

considered excluded are women, those without formal training and those running farm based enterprises.

These findings agree that training involves impartation of skills that assist the entrepreneur make correct judgments and make the right choices. Many small businesses are solely run by their owners, who make all the decisions.(Chabir, 2005) seeing that most respondents were able to associate give implemented skills with the training received.

The combination of access to credit and training created synergy and the environment of Microfinance was found to enhance business performance of MSEs. This corresponds with the proposition that entrepreneurs are goal oriented, have a need to achieve and thus set high standards, are creative and always think of new ways and are able to make decisions (Green, 2006)

If we interpret our results in the light of the tenets of 'The Goal Setting Theory' on motivation that 'specific goals increase performance and difficult goals, when accepted result in higher performance than do easy goals' then being a group member in an MFI and a regular borrower may be setting their own goals in the process of loan application since they state the loan amount, use and how to pay the amount. This implies that in addition to their already set goals, they add a new quantifiable goal of periodic loan repayment which acts as a motivator. Every time they make a loan payment, it affirms their commitment to the goal and increases their motivation.

If they successfully complete one loan, then using Maslow's theory of hierarchical needs, they will tend to apply for higher loan amounts to satisfy the next higher need and consequently set a more difficult goal resulting in greater motivation and consequently greater achievement. Training and regular contact with other entrepreneurs equip MF clients with business skills thus boosting their self esteem. Every time they achieve by paying a loan, it builds into their self esteem. Their self efficacy is thus expected to high and to increase over time especially if they have good repayment history. High self efficacy is able to withstand negative feedback.

Figure 2. Flowchart of the 'Goal Setting Theory'.

Goal setting combined with other factors result in higher performance including goal achievement. For entrepreneurs in micro and small enterprises, the Microfinance environment is provides the framework for this framework resulting in higher business performance considering that for him to get a loan he must have a compound but specific goal showing how he intends to use the money and how he intends to raise the money to repay back. This challenges the entrepreneur to show that he will raise more than required for the loan repayment. He gets multiple feedbacks through their ability to raise their weekly or monthly repayments, group records among other business related feedbacks like expansion of business, new product lines introduced in his business, acquisition of new assets and performance of their group members. Goal commitment is another factor and for MFI clients, commitment to the goal is high since they set their goals and work to achieve them. Since he owns the enterprise, he may not have a choice of abandoning his pursuits thus a high commitment to his goals. Self efficacy also influences the relationship between goal setting and performance. Training and regular contact with other entrepreneurs equip MF clients with business skills thus boosting their self esteem. Every time they achieve by paying a loan, it builds into their self esteem.

Their self efficacy is thus expected to high and to increase over time especially if they have good repayment history.

As realized in this research, access to credit and training contribute greatly to business performance, which will in turn assist an entrepreneur to climb the ladder in the needs pyramid after satisfying the lower levels. The environment of microfinance lending has a combination of factors that may lead to higher chances of higher business performance for entrepreneurs who are members of an MFI. These factors include friends being part of one group and thus giving each other social and moral support, mentorship among members, sharing of business ideas among members, support of group member during crisis among others.

5.4 Conclusions

Growth of micro and small enterprises in the rural areas should be encouraged since this shall not only provide goods and services to those dwelling in those areas, they also provide an avenue for technology transfer, create wealth, reduce rural urban migration by raising the standards of living and creating opportunities in the rural areas but most of all, reduce poverty and contribute to the GDP of the country.

Training on Business Skills and Access to Credit significantly influenced Business Performance of MSEs. This study also established that Micro-Finance Institutions were accessible to entrepreneurs of both Gender and was more favorable to women than men. Majority of those accessing training and credit from Jenga Kenya C.B.O. were based in the rural areas and most were operating farm based enterprises. The study also found out that 'terms and conditions' of lending in Micro-Finance Institutions was not a hindrance to entrepreneurs operating MSEs and most of them classified the 'terms and conditions' of borrowing as favorable and acceptable.

Microfinance services have also been found to help enterprises that would have otherwise fallen withstand the stormy times as discussed in section 4.44 and as such microfinance

institutions should be encouraged to penetrate in all areas to raise the level of business performance of MSEs.

5.5 Recommendations

The study; on business performance of Micro and Small Enterprises is indeed timely at a time the Kenyan government and its citizens are grappling with the question on how to deal with the unemployment problem and the realization that not all can be absorbed in the white collar jobs, hence the shift towards investing in the non-formal employment in agric-based enterprises, service and in manufacturing. The answer to this may be found in supporting MSEs through availing credit and training entrepreneurs on business skills since this research has shown that these have a positive influence on business performance.

Discussions with the management of Jenga Kenya on those who looked at the 'terms and Conditions' of borrowing as 'unfriendly' it was found that 'credit terms' should be formulated such that they are prohibitive to those who may be out to get easy money on credit without adequate plans on its use or adequate resources to repay the amount borrowed then eventually suffer while they are unable to repay. Equally, the terms should be easy enough for those in the informal businesses to get access to credit without requirements that are above their capacity.

The stakeholders in the MSE sector should develop a curriculum to help standardize training for entrepreneurs in the MSE sector to ensure optimum performance of their businesses.
The government should also encourage more competition among MFIs to ensure that every entrepreneur operating a micro and small enterprise has access to credit and training on business skills by developing a curriculum for such entrepreneurs and availing it to MFIs to ensure that the trainings given assist the entrepreneurs.

5.6 Suggestions for Further Research

The study should be extended to clients of other Microfinance companies in Kenya because they also face the same problems but since they are in different settings it may yield different results. A comprehensive study on the influence that different skills have on business performance is also recommended. As realised in this study, access to credit needs to be comprehensively studied to help institutions offering credit to come up with policies that prohibit irresponsible borrowing which is expensive to the society at large while at the same time not being stumbling blocks to entrepreneurs who genuinely intend to borrow but luck formal qualifications for a loan.

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APPENDICES

APPENDIX 1: Population of Jenga Kenya Clients as Per Groups in Their Districts.

Source: Jenga Kenya Annual Report.

JENGA KENYA CBO GROUP DISTRIBUTION.

DISTRICT	GROUP NAME	NUMBER OF CLIENTS
IMENTI NORTH		
	TUINUANE	17
	KANYURU	10
	UMOJA	12
	FOCUS	6
	TUMAINI WENDANI	12
	MUUNGANO STAR	11
	KANJA GHOPE	12
	PAMOJA	11
MERU CENTRAL		
	KANJA GANTUKU	12
	ABWETENE	14
	KARANENE	1,1
	BARAKA	12
	MBIRIKENE	22
	SOYA	11
	KATHITA	14
	KIBARAYAKI	9
	KAARENE	10
	MAKANDUNE	11
TIGANIA WEST		
	KIANJAI MWICHWIRI	12
	MWANGAZA	10
	ANTUAMAKIA	16
	KUGWURIRWO	10

DISTRICT	GROUP NAME		NUMBER OF CLIENTS
TIGANIA EAST			
	WERU WENDO		25
	KANYAMBO		14
	LANYIRUU		26
	TWALE		12
	KILEMU		14
	MUTETHIA		18
SOUTH IMENTI			
	MT. KENYA		11
	NKACHIE		18
MWIMBI			
	KAARE		19
		TOTAL	422

APPENDIX 2: Questionnaire for Jenga Kenya Clients

This questionnaire attempts to survey the factors that influence business performance of small and micro enterprises. The information provided in this questionnaire will be used for research purpose only and will be treated with utmost confidentiality. Please answer every question by ticking the applicable box that answers the respective question as honestly and as completely as possible. You may also add comments where necessary and where you may have more information than the options given.

SECTION A

DEMOGRAPHICS

1. Which is your Gender?　　Male ☐　　　　　　Female ☐

2. Marital status :

   (a)Single　　　　(b) married　　　　(c) separated/ divorced　　　　**(d)**

   widowed

3. Age bracket:

   (a) Below 26 yrs　　　(b) 26 -35 yrs　　　(c) 36 – 45yrs　　　(d) over 45 yrs

4. What is your business type?

   (a) On Farm　　　　(b) None Farm Trade　　　(c)　　　None　　　Farm

   Manufacturing　　　　(d) Service

5. Please tick your highest level of education:

   (a) None　　　　(b) Primary　　　· (c) Secondary　　　(d) Tertiary

   (e) Others　　　Specify others ....

6.How long have you been a member of Jenga Kenya?

(a) Two years or less　　　(b) 3-5 yrs　　(c) more than five years.

7.　How many people depend on you?

(a) Two or less　　　　　(b) 3-5　　　　(c) six or more

8.　Where is your business located?

(a) At my home　　　　　　　　(b) At my rural area but not at home

(c) Away from my home　　　　　(d) In an urban centre

SECTION B

TRAINING

9.　How many trainings aimed at improving business skills have you attended?

　(a) None　　　　(b) 1 -2　　　　　　(c) More than two

10. Have these trainings been of help to you?

　(a) Not at all　　　(b) a little　　　　(c) fairly much　　(d) Very much

11. How many skills learned in these trainings have you implemented?

　(a) None　　　(b) 1　　　(c) 2　　　(d) more than 2

12. In　what　way　have　you　implemented　these　skills?　Please　explain

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

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

SECTION C

ACCESS TO CREDIT

13. How many loans have you taken?

    (a) None   (b) 1 – 4   (c) More than 4

14. What is the highest loan amount in Kenya shillings have borrowed?

    a) 1,000 – 20,000   (b) 20,001-100,000.   (c) Over 100,000.

15. How do you consider the terms and conditions for borrowing a loan?

    a) Very Favorable   (b) Acceptable   (c) Difficult   (d) Unattainable

16. What problems have you encountered while applying for a loan from Jenga Kenya?

    Please explain

    ....

    ....

SECTION D

BUSINESS PERFORMANCE

17. During the time you have been in JK, how has your business performed?

a) Improved very much   (b) Improved Fairly   (b) Stagnated   (d) Deteriorated

18. Have you opened new branches or new businesses?

    a) Yes   (b) No

19. Has Microfinance enabled you to introduce new products which otherwise you would not have?

a) Yes   (b) No

If   yes,   Please   list   the   type   of   products   you   have   introduced.

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....

....

20. During the time you have been in microfinance, how have your sales been?

a) Increased   (b) Remained constant   (b) Deteriorated

21. Please   describe   your   experience   with   Jenga   Kenya.

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Thank you for participating.