FACTORS INFLUENCING PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES: A CASE OF AUTO GARAGE BUSINESSES IN LANGATA CONSTITUENCY OF NAIROBI COUNTY, KENYA.

BY

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DECLARATION

This research project report is my original work and has not been submitted for an academic award in any other university.

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This research project report has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this work to my children Alexis, Cheryl, Michelle and Georgina who motivate me every day. You are central to everything I do. To my wife Esther for her commitment to our mutual goal of education and professional development. To Assimwe Katete for encouragement and unconditional support throughout the course.

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ABBREVIATIONS AND ACRONYMS

ABO	Asian Business Owner
CEED	Center for Entrepreneurship and Enterprise Development.
EEHE	Entrepreneurship Education at Higher Education
EESE	Entrepreneurship Education at Secondary Education
IEE	Integrated Entrepreneurship Education
KMI	Kenya Motor Industry
SME	Small and Medium Enterprise
TVET	Tertiary and Vocational Education Training

ABSTRACT

Kenya has a seventy percent unemployment rate which means that majority of our youth that make up more than fifty percent of the population are faced with the imminent option of self-employment in small and medium enterprises. The level of business success achieved in these enterprises varies. This study sought to establish the influence of various factors on business performance. The factors investigated were education, training, gender, age and previous employment. Business performance was evaluated through assessment of profit margin percentage and capital growth in Kenya Shillings over three years from 2013 to 2015. Small and medium enterprises encompass various sectors and consequently the study focused on auto garage businesses in Langata Constituency of Nairobi County. This was a census research of formal Auto Garages in the constituency. In the descriptive research survey, 122 respondents were interviewed using questionnaires and the data collected was then analyzed using Statistical Package for Social Sciences (SPSS). Data analysis involved frequency Tables, various correlation and regression procedures depending on type of data that checked on the relationship between the variables guided by objectives of the study. Results showed that there is a no statistical relationship between level of education and business performance. In terms of mode of training in each of the three years studied, Auto Garage establishments whose owners had been trained through theory and hands on practice were more profitable than those that had only received theoretical training. Women participation in this sector within Langata Constituency was very low at only 9%. Gender was a major factor that influenced business performance and it was established that profitability among women remained low compared to their male counterparts under similar conditions of business environment and size. Age influenced business performance in positively in the early years of 18 to 34 years after which from the age of 35, profitability decreased with increase in age. Previous work experience was observed to have no relationship with business performance. The study concluded that one does not necessarily need to have high level of education in order to succeed in running an auto garage. However, where such education is available, the best means to prepare students for success in enterprise is to deliver training through theory and practice. Women are disadvantaged in this sector and it was recommended that further action be taken to create gender equity in business. This research was limited to auto garage enterprises in Langata Constituency. There is opportunity to conduct further research on other SME Auto Garage enterprises within the broader Nairobi County and countrywide where possible. Finally it was recommended that further research should be conducted to find means to encourage women participation in enterprise.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The United Nations (UN, 2008) report on Global Employment Trends for Youth estimated that the youth make up as much as 40 percent of the world's total unemployed, and are almost three times as likely to be unemployed as adults. This situation will be exacerbated by the current global economic crisis. Self-employment through entrepreneurship is therefore an imminent option for the youth. While entrepreneurship alone cannot tackle youth unemployment challenge, it is an important part of the response.

Policymakers in African have long recognized the private sector, including entrepreneurship, to be a key part of the development agenda for their countries and continent. Despite this recognition, contribution of productive entrepreneurship to growth and employment has been limited, especially in low income and fragile countries. While entrepreneurship as such has not been limited in Africa, the productive, high value-added type has been mostly missing (Rogerson, 2001).

There is a convergence in the thinking of African governments; Kenya included, that the enterprise sector, particularly the small enterprise is a potential priority area in transforming the economy. Consequently, there is an overwhelming recognition that a high level of entrepreneurial activity strongly contributes to economic growth. Kenya's development scenario has been characterized by the search for solutions to poverty, rampant unemployment and poor health, among others (CEED).

As reported in the Kenya Country Report of 2014, 69.3% or 10.54 million out of 15.2 million young men and women in Kenya are self-employed. Entrepreneurship is therefore a major source of employment, economic growth, and innovation, promoting product and service quality, competition, and economic flexibility. However, stacked up against such a choice are many examples of business failures in the community, negative attitudes towards business, and misconceptions about what makes a business succeed, the common view is that all you need to succeed is 'capital' (Kaburi, et al., 2013), but there are other important factors that contribute to the success in entrepreneurship. "That a competitive SME sector is a critical and strategic engine for growth in attaining vision 2030 is not negotiable. These form the base of the seed bed for inculcating and entrepreneurial culture and supporting industrialization and industrial development" (Kirori and Achieng 2013).

The Kenyan Motor Industry (KMI) association was established in the 1950s with servicing as the main activity, the sector then developed to include auto ancillary services, vehicle building, and coach works. The government has attempted to develop the motor vehicle assembly industry by requiring the assemblers to move from semi knocked vehicles to completely knock down level of assembly. However the low demand for vehicles in the Kenyan market and the absence of long term planning to facilitate a transition from assembly to manufacturing has limited the growth of the sector and its ancillary subsector, (McCormick and Paul Ove Pedersen, 1996).

The motor service and repair sector in Kenya benefits from second hand vehicles which are imported in the country. They always need constant service and repair owing to poor

state of the road infrastructure in the country. The Market Intelligence journal (2012) reported that used vehicles account for 70 per cent of the motor vehicle market in Kenya. The cost in terms of spares is high, since these vehicles cannot withstand the bad state of the local roads, the country has become a dumping ground for used motor vehicles from the western nations. This research was an investigative study on factors that contribute to the success of entrepreneurship with a focus on the auto mechanic garage sector in Langata Constituency, in Nairobi County, Kenya.

1.2 Statement of the Problem

It is generally accepted that SMEs are becoming increasingly important in terms of employment, wealth creation, and the development of innovation. According to the Kenya Private Sector Alliance brief 2016; SMEs contribute 98% of GDP, 50% of workforce and 25% of enterprises. On the broader African perspective, SME sector is crucial to Africa's growth, contributing more than 45% to employment and 33% to GDP. While contributions of small business to development are therefore generally acknowledged, SME entrepreneurs face many obstacles that limit their long term survival and development. In its 2016 Economic outlook report, financial experts at Delloite observed that SMEs are a key source of employment. However, the growth of this sector is hindered by inadequate capital, limited market access, poor infrastructure, inadequate knowledge and skills. Research on small business development show that the rate of failure in developing countries is higher than in developed world (Arinaitwe, 2006). Past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of statistics, 2007). Why should a sector that has been identified as a major source of employment and contributor to the economy suffer a gloomy picture? What then

are the factors that influence positive performance of these enterprises? Or rather what should entrepreneurs do in order to succeed? The study investigated factors that influence performance of Auto Garage enterprises in Langata Constituency of Nairobi County, Kenya.

1.3 Purpose of the study

The purpose of this study was to investigate factors influencing business performance of small and medium enterprises focusing on auto garage businesses in Langata Constituency of Nairobi County by evaluating percentage profit margin and capital growth over the last three years. Business performance was evaluated in terms percentage profit margin. It was also measured in terms of capital growth over the last three years.

1.4 Objectives of the Study

The research was based on the following objectives.

1. To examine the influence of level of education on business performance of auto garage enterprises in Langata Constituency.
2. To assess the influence of mode of training on business performance of auto garage enterprises in Langata Constituency.
3. To explore the influence of gender on performance of auto garage enterprises in Langata Constituency.
4. To scrutinize the influence of entrepreneurs age on business performance of Auto Garage enterprises in Langata Constituency.
5. To assess the influence of previous work experience on business performance of Auto Garage enterprises in Langata Constituency.

1.5 Research Questions

Following the objectives, the research was investigated the following questions

1. How does the level of education an entrepreneur influence business performance?
2. What is the influence of how a business owner was trained on business performance?
3. Does an entrepreneur's gender influence business performance?
4. How does the age of an entrepreneur affect business performance?
5. What is the influence of an entrepreneur's previous work experience on business performance?

1.6 Research Hypothesis

The study was also guided by the following hypothesis.

Hypothesis 1: There is a significant relationship between entrepreneur's level of education and business performance of auto garages in Langata Constituency of Nairobi County.

Hypothesis 2: There is a significant relationship between business performance and an entrepreneur's gender in auto garages within Langata Constituency of Nairobi County.

Hypothesis 3: There is significant relationship between an entrepreneur's age and previous work experience to business performance of auto garages in Langata Ward of Nairobi County.

Hypothesis 4: There is significant relationship between an entrepreneur's previous work experience and business performance of auto garages in Langata Ward of Nairobi County.

1.7 Significance of the Study

The study may be beneficial in many ways. To the central government, it will provide findings that can be used in policy decisions to facilitate the growth of the sector. To future researchers, outcomes of this study has documented useful information on the Auto Garage sector in Kenya

for further studies. To individual entrepreneurs, the outcomes of the research will provide a guide on factors to consider in establishing and running a successful Auto Garage enterprise in Langata Constituency of Nairobi County.

1.8 Assumptions

It was assumed that the questionnaire data collection instrument used was sufficient as a research tool. It was also assumed that all respondents interviewed during the study provided the required information in an accurate manner. The dependent variables of profit margin and capital growth required historical financial data which was assumed to be available and reliable from the respondents.

1.9 Limitations of the study

Most business owners were not present during the interviews. To counter this limitation, some questionnaires were left with the respondents and collected a week later to give sufficient time for them to be filed at the entrepreneur's convenience. The research was privately funded and conducted on a limited time and budget. To overcome the limitation of time, two research assistants were hired to assist in data collection and entry.

1.10 Delimitation of the study

Nairobi has a high concentration of vehicles and auto garage enterprises which made it a suitable study area to carry out the research. The study area covered Industrial area and South of Nairobi around South C, South B and Langata all of which have several auto garage businesses. Multinational and large businesses such as General Motors, DT Dobie, Marshalls and CMC also

located in the area were not included despite the fact that they offer motor vehicle repair services primarily because they did not fall within as small and medium enterprises. Unstructured, informal "jua-kali" garages were also excluded from the study.

1.11 Definition of Significant Terms use in the Study

Auto Garage Business	An enterprise actively involved in maintenance and repair of motor vehicles.
Auto Garage Entrepreneur	Owner or director of Auto Garage Business.
Business Performance	This refers to the business outcomes in terms of percentage profit margin and annual capital growth.
Family Background	An individual's history in the context of family relations and nurture.
Level of Education	The highest level of formal education that the auto garage entrepreneur has acquired.
Mode of Training	Method of skill transfer weather theoretical, practical, or both.
Previous experience	Experience in number of years spent engaged in similar activity in employment.
Small and Medium Enterprise	A business with less than fifty employees and annual turnover below seventy five million Kenya Shillings.

1.12 Organization of the study

The study is organized into five main chapters. Chapter one covers a background of the study with a statement of the problem. In this chapter the significance of the study research objectives and questions are also discussed. Chapter two mainly consists of literature review on what other scholars have researched related to the topic. The theoretical and conceptual framework is also covered in this chapter. Chapter three focuses on research methodology stating how it is designed, that target population and sample. The method of data collection, the instrument to be used and how the data was designed to be analyzed is also discussed. Chapter four covers data analysis of the outcomes from collected data. The information is summarized in Tables and figures. Data analysis results are also presented to show the relationship between variables in the study. Chapter five is a summary of finding, discussions and recommendations from the research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents analysis of existing literature on the topic of study that has been done by other scholars and researchers. It covers variables under the proposed study of factors that influence business performance in small and medium enterprises. The chapter also covers theoretical and conceptual framework.

2.2 The state of SMEs in Kenya

According to the Kenya Micro and Small Enterprise Act 2012, SMEs are defined as those firms whose annual turnover is between KES 500,000 and 5 Million with less than 50 employees (Institute of Economic Affairs, 2012). The Economic Survey 2015 issued by the government of Kenya confirmed that the largest creator of employment in Kenya is the informal sector. Since the mid-1980s, MSEs in both the formal and informal sector have been the major drivers of employment growth. This is because the formal employment sector in Kenya has not grown commensurate with the growth in the population of Kenyans reaching working age. The International Journal of Business and Social Research, states that performance of SMEs is affected by different factors. How these factors manifest singly or jointly is therefore a key concern. SME enterprises face many obstacles that limit their long term survival and development. Previous research on small business development has shown that the rate of failure in developing countries like Kenya is higher than in the developed world (Arinaitwe, 2002. The

Kenya National Bureau of Statistics in 2007 declared that three out of five businesses fail within the first few months of operation.

2.3 Auto Garage Industry in Kenya

The first motor car in Kenya was a De Dion Bouton which was lowered from a steamship in December 1903 in Mombasa. There were no garages and the car was notoriously unreliable, breaking down with unparalleled frequency (Business Daily, 2016). Currently the scene has not changed much except that we now have millions of cars on our roads that need regular servicing and repairs. Mechanics and mechanical garage businesses are available in every part of the county. From the illegal spanner boys walking along the super highway waiting for that opportune broken down vehicle to the "jua kali" operator with an informal workshop shed in the neighborhood and the well-organized formal garage business, the motor vehicle garage industry is one of the businesses where self-employment is evident. The subsequent sections will examine factors that apply to all entrepreneurs including auto garage owners which are the basis of further field research specific to the sector.

2.4 Education and business performance

While studying the role of education in entrepreneurship, Mohanaranjani (2012) identified that education and training is important as the media that sets values, develops attitudes and motivation that induces people to acquire skills and competencies to achieve goals. The word education can be linked to the word enterprise in three ways. Education about enterprise in which the role of education is raising awareness of enterprise and entrepreneurship as a key change agent in economic process. In this case education tells the student that entrepreneurship exists for exploitation as an option. Education through enterprise in which the education process itself can

be enhanced by using pedagogic styles which work and make use of enterprising situations including the student concerned and real world project driven approaches through practical hands on process of learning by doing and solving real situations. Education for enterprise, which is aimed at entrepreneurship development and includes training existing entrepreneurs as well as for new business startup. In this instance lessons are very specific with guides on how to approach business.

In a study by Stevenson and Lundstrom (2001) it is stated that Education is an important consideration that has been of interest to many researchers and a topic of statistical interest for many years regarding its impact on the motives of individuals to become entrepreneurs. One of the findings they observed is that entrepreneurs tend to have higher education than the average adult population. However, for people with university education the percentage of entrepreneurs' declines guided by the content of what is offered at various levels of education. Given that the first twelve years of school often offers general knowledge compared to University education where training is more specialized it could lead one to argue therefore that general knowledge is more important to entrepreneurship than University level. "The idea here is that the school system created the knowledge of how to do it but not where to do it. There is also new research concerning the so-called academic entrepreneurship which illustrates that some areas of the university produce relatively higher levels of entrepreneurship (Delmar et. al., 2003).

"Most people in developing countries think they have the necessary skills to start business, but their skills usually were acquired through workplace trial and error in relatively simple business activities. In developed countries, business formation, operation, management etc. require skills

that are acquired through formal education and training. Hence education, especially post-secondary education, plays a vital role in teaching and developing the entrepreneur". (Zoltan, Laszlo & Erkko, 2014, P73).

Cooper and Gascon (1992) claimed that education is one of the most widely studied entrepreneurship variables. Watson (2003) suggested that education provides the knowledge base and analytic problem solving skills to more effectively deal with the demands of entrepreneurship. Further, Kangasharju and Pekkala (2002) argued that self-employed people with higher education should improve the growth opportunities of their businesses due high education probability being associated with improved ability to comprehend market prospects, hence resulting in better exploitation of demand in the market. It is expected that individuals with high level of education will own firms that perform better. Cooper and Gascon (1992) further detected that 10 out of 17 studies reported a positive relationship between prior level of education and superior firm performance. In a related study that amplified this observation, Kangasharju and Pekkala (2002) used a sample of Finnish self-employed persons in order to investigate longitudinally the effect of education on the closure rate of firms, as well as firm growth probability in terms of sales turnover. The analysis indicated that firms run by highly educated people had higher growth probability than firms run by less educated self-employed people. Another report by Cooper et al (1994) study reported that level of education contributed both to marginal survival and achieving high employment growth among new businesses. Pena (2004) found that entrepreneurs at a higher education level were more likely to report sales and employment growth. From the above, a common trend is already emerging that shows a direct correlation between level of education and business performance.

2.5 Mode of training and business performance

Concerning how content on entrepreneurship should be delivered, the ILO (2011) suggests a "learning-by-doing" approach, stressing the importance of activities that expose students to concrete entrepreneurial practices. This can include simulations (mock business), competitions and teamwork. The EOEAS program evaluation team found team-oriented instruction methods to be among the most predictors of students' post-program entrepreneurial inclinations. (Alexandria, 2011).

In general the efficiency and effect of education and training is closely linked to the teacher's motivation and enthusiasm, his or her professional qualifications and the mode of delivery and follow-up. A general dissatisfaction among teachers seems to be most widespread in Kenya. Many of them allegedly seize opportunities to create additional income to teaching. Efforts to establish specialized teachers, not surprisingly seem to have strengthened the entrepreneurship education and growth of enterprise. Others make use of their acquired skills and leave school for better earnings in self-employment. (Farstad, 2002).

The student enterprise approach seems the most effective way of learning entrepreneurship and business management, and to build motivation for self-employment. The development of a business plan, comprising the planning of a specified production, market assessment and stipulation of costs, prices, financing needs etc., contains high potential learning yields. Provided qualified supervision, the students through this exercise experience major entrepreneurial challenges and problems in a realistic manner. They are compelled to search for potentially suitable areas of business (Farstad, 2002).

On the overall, education plays a major role in how entrepreneurs handle problems and their ability to manage business. Formal education is not necessary for starting a new business, but it does help an entrepreneur solve problems within the business relating to finance, marketing, human resources and general management of the business including the ability to get skills in these areas (Longenecker, 2003).

Entrepreneurial Education and Training are courses specifically tailored to promote entrepreneurship. In Kenya private organizations dominate the EET landscape both in implementation and in funding where pervasive and growing youth unemployment is commonly perceived to be a major factor in the country's secondary problems and political instability. This coupled with slow job growth of recent years has motivated the government to invest in large-scale training programs aimed at supporting the youth and the unemployed venture into self-employment. (Alicia Robb, 2014).

According to Alexander (2014) Entrepreneurship Education of Secondary Education Students (EESE) in high school involves building capabilities, skills and mind-sets aimed at expanding the potential pool of future entrepreneurs. It is part of the curriculum in all educational streams and levels, including technical and vocational education and training (TVET). EESE is also integrated in teacher education programs at certificate and diploma levels-especially those programs focused on commerce-and in certificate programs for social and community development. While not compulsory within secondary education, EESE is offered within the TVET system as a vocational subject aimed at imparting knowledge about economics and the business sector, designed to be useful to students planning a career in business later on in higher

education. The expectation of EESE programs is that students will go on to establish vibrant business enterprise but on the contrary little information is known by way of program outcomes.

Table 2.2 Factors that influence career choice

	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	(N)	(%)	(N)	(%)	(N)	(%)	(N)	(%)	(N)	(%)
Availability of advancement	136	28%	109	22%	42	9%	191	39%	11	2%
Availability of jobs	158	47%	81	24%	39	12%	29	9%	27	8%
Employment security	111	34%	85	26%	66	20%	38	12%	29	9%
Career flexibility	116	36%	109	34%	55	17%	27	8%	18	6%
Prestige associated with the profession	94	30%	82	26%	63	20%	50	16%	28	9%
Ability to choose specialization	116	36%	95	29%	70	21%	26	8%	19	6%
Self employment opportunity	95	30%	90	28%	57	18%	45	14%	31	10%
Opportunity to apply skills and knowledge	148	45%	96	29%	41	13%	22	7%	20	6%

Source: Journal of Emerging Trends in Educational Research and Policy Studies (JETERAPS), 2011

Secondly, career choice is a complex decision for students since it determines the kind of profession that they intend to pursue in life. As students try to make career choice while in secondary school, they face the problem of matching their abilities to school performance. While researching into the career choices of 332 students in Maseno area of Kisumu, Kochung and Edwards (2011) concluded that availability of advancement opportunities, learning experiences and career flexibility were the most influential factors affecting career. Table 1 shows that 29.9% of the secondary school students strongly agreed that the prospect of self-employment would lead to their choice of career.

Human capital theory (Becker, 1975) explains the influence of education on career outcomes such as self-employment. This theory maintains that knowledge provides individuals with increase in their cognitive abilities, leading to more productive and efficient potential activity. Education, in the broadest sense is important for stimulating entrepreneurship because of several reasons (Reynolds et al., 1999). First education provides individuals with a sense of autonomy,

independence and self-confidence. These qualities are important when starting a business. Second, education makes people aware of alternative career choices, thirdly education equips individuals with capacities to perceive opportunities and lastly education provides knowledge that can be used by individuals to develop new entrepreneurial opportunities.

Research by Levie (2008) found that even though the perception of skills is directly associated with the level of new business activity in a nation, education appears to have little role in fostering such skills. One reason of this finding may be that post-secondary education tends to focus more on theory than practice. Farstad (2002) concluded that the effects of specific entrepreneurship education vary with the process of planning, implementation and with the mode of delivery. The immediate relevance of entrepreneurship education seems to be higher at post-secondary education than to students younger of age and in general secondary education.

2.6 Gender and business performance.

Studies carried out in Kenya have attributed the lack of entrepreneurial culture among Kenyan women to lack of confidence and self-belief, lack of strong and relevant networks and starting up enterprises without adequate prior preparation (Mutuku, et al, 2006). In the UK and in most of the rest of the world, women are less likely to startup a business than men. Self-employment rates in the UK for women are almost half those for men 7 percent to 13 percent (Annual Population Survey, 2001).

While some individuals start businesses based on their need to be independent, most of the women chose entrepreneurial route in response to external situations, including redundancies, frustrations with their current workplace and pay, or need for greater flexibility in their lives.

One significant characteristic of the business sector is that it has grown to become an important employer of the female labor force in the country. Gakure's study (2004) in Kenya sought to determine the social factors that influence growth and development of female-operated enterprises. The study found that majority performed poorly. For most of the women (68.6 per cent) the decision to go into business was determined by people other than themselves. These included their husbands (24.6 percent) parents (27.4 percent) and friends (13.1 percent) (Ibid). For the women who participated in the Wanjira Munyua and Mureithi study (2008), going into business was a way of contributing additional income to support their families and for some it was a necessary as they were the sole breadwinner. For women who chose their enterprise, their need to combine doing business with their domestic responsibilities was a significant factor in business choice.

Research findings by Jane et al, (2011) says that regardless of the country's income level, women who are established business owners do not have higher educational attainment than women at early stages of entrepreneurship. Women entrepreneurs are more confident than women without such enterprising activity and are less fearful. They are more likely to be acquainted with other entrepreneurs and are more oriented toward untapped opportunities. Women entrepreneurs are willing to take large risks to achieve independence. Values are at the core of how they run their businesses. Women entrepreneurs create organizational cultures that reflect their basic beliefs about fairness, growth and community.

Women and men differ in how they define business success. Although men-owned businesses outperform their female counterparts in pure growth, women entrepreneurs include quality,

customer satisfaction, meaningful community involvement and sustainable business practices. Gakure (2004) found that women's productive activities were concerned in micro-enterprises that conformed to their traditional gender roles, such as food processing and garment making. Could this therefore mean that female graduates are more likely to choose these lines of business?

According to Mincer (1978) and Plachek (1981), women are generally at a disadvantage when competing with men for enterprises and job opportunities. Most societies expect women to leave the labour market for purposes of childbirth, childcare and accompanying domestic responsibilities, skills that are undervalued and perceived incompatible with enterprise and labour market opportunities. Does the expectation to start a family make women more likely not to consider business as a career and opt for employment that recognizes maternal benefits and rights?

Thirdly, many women end up adopting socially constructed gender values which devalue them, creating an inability to recognize themselves, their dreams and aspirations in the context of social norms. According to Chege (2003), women who confirm to gendered societal norms are the perfect embodiment of a Kenyan woman. Therefore, those who build successful businesses or careers are perceived to be venturing into masculine roles. It would be nice to know if these societal perceptions influence decisions to take up business as a career among women post education and training. In a study conducted among 106 Students at the Kenya institute of management, more male respondents were willing to be self–employed compared to their female

counterparts. These results agree with other parts of the world where self-employment is higher among men that women (Blanchflower, 2004).

"The literacy rate of women in India is found at low level compared to the male population. Many women in developing nations lack the education needed to spur successful entrepreneurship. They are ignorant of new technologies or unskilled in their use and often unable to do research and gain the necessary training. According to the economist, this lack of knowledge and the continuing treatment of women as second class citizens keeps them in a pervasive cycle of poverty. The studies indicate that uneducated women do not have the knowledge of measurement and basic accounting". (Jerinabi, 2012).

2.7 Age and business performance

Going by the Blachflower study at the Kenya Institute of management (KIM) in 2004, the age group of between 26-30 years had the highest number of self-employed "youth" while the age group of above 30 had the highest number of employed persons with their own business across both gender categories (Table 2.2).

Table 2.3 Age by current occupation

Age Bracket	Looking for a job	Run own business/Self Employed	Employed	Employed and Run Own Business	Total
18-21	16	0	3	0	19
22-25	26	2	4	0	32
26-30	7	4	13	2	26
Above 30	2	3	13	7	25
Total	51	9	33	9	102

Source: Blachflower Study 2004

From Table 2.2, it is clear that self-employment preference rises with age. Blachflower (2004), indicated that older workers are more likely to opt for self-employment. This can be explained by the fact that emerging entrepreneurs require basic management skills such as finance, marketing, negotiation, and access to start-up capital and technical business advice.

Research by Longenecker (2003) shows that a high percentage of new small businesses are started by people between the ages of 25 and 35. By this age, they say people have gained enough experience, competence and self-confidence but they probably also don't have big financial and family responsibilities. Before the age of 25 lack of education and other resources tend to reduce the number of entrepreneurs who start business. After the age of 35, family, financial and job responsibilities reduce the number of entrepreneurs.

2.8 Previous work experience and business performance.

The effects of previous business ownership have been investigated in several studies. Stuart and Abetti (1990) detected that entrepreneurial experience (defined as the number of previous new

ventures involvements and the role played in the ventures by the entrepreneur) was the most significant explaining performance in a sample of 52 new technical ventures. Duchesneau and Gartner (1990) reported that the lead entrepreneur in successful firms had more prior startup experience. Previous research indicates that prior business ownership experience is a key variable with regard to reaching milestones in the business start-up process (Rotefoss, 2001) and is positively related to the probability of venture implementation (Alsos et al, 1998). It is therefore hypothetical to state that most business owners with previous ownership experience are more likely to report superior early business performance.

2.9 Theoretical Framework

Gibrat's Law or the Law of Proportionate Effect, states that factors that influence a firms growth such as increase in demand, management talent, innovation, organizational structure and luck, are distributed across firms in a manner which cannot be predicted from information about the firm's current size or its previous growth performance (Goddard et al, 2004).

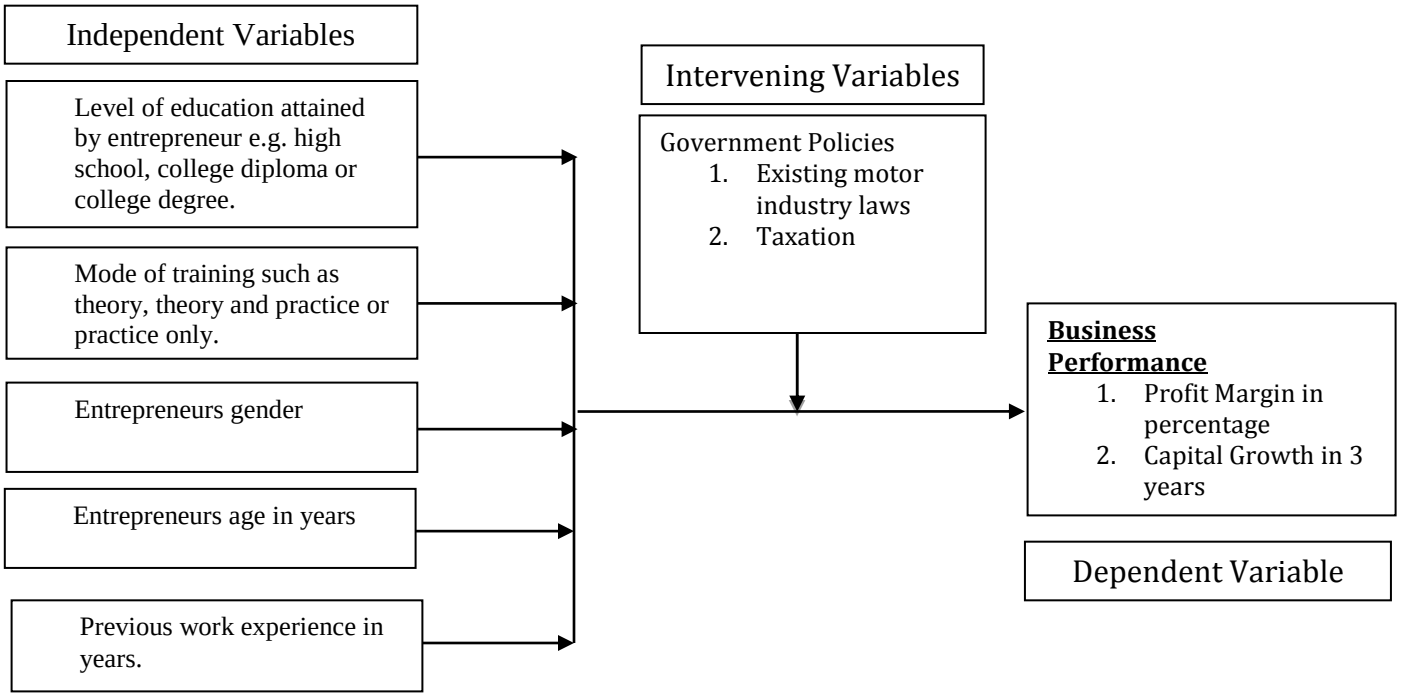
The entrepreneur's performance is personal and can be attributed to the Hierarchy of Needs theory which was coined by psychologist Abraham Maslow. The crux of the theory is that individuals' most basic needs must be met before they become motivated to achieve higher level needs. The hierarchy is made up of five levels namely physiological, safety, love, esteem and self-actualization. On self-actualization, the theory holds that the individual will desire to achieve everything possible and become the most they can be. This relates to personality factor and its influence on business performance.

From a gender perspective, the social feminist theory, which emanates from the social learning theory and psychoanalysis, holds that differences between men and women exist from their earliest moments in life and result in fundamentally different ways of viewing the world. These differences are seen in the way women and men construct and interpret reality and how these influence the formation of their values and intentions. Men and women are inherently different because of differences in their socialization, training and experiences encountered prior to entry into particular work positions and business. The theory relates to the gender attribute of social background and its impact on business performance.

2.11 Conceptual Framework

The main focus of this study was on factors influencing business performance of auto garage businesses in Nairobi County. Independent and dependent variables were measured. The dependent variable is business performance which shall be evaluated in terms of percentage profit margin and capital growth over the last three years. The study covered six independent variables. Education shall was studied by the highest level attained. Mode of training was evaluated in terms of theory, theory with practice or practical examples only. All of these are variables are in one way of another influenced by existing government policies and regulation which are classified as intervening variables. Figure 2.1 shows the relationship between the independent and dependent variables.

Figure 2.1 Conceptual Framework



2.12 Knowledge Gap

Scholarly opinions observed from the literature review had provided previous research on factors influencing the performance of small and medium enterprises. However there is no specific information that was seen which touched on how these factors influence the performance of auto garage enterprises in Langata Constituency in terms of profit margin and capital growth. Consequently this presented a knowledge gap that was covered in this research. The garage industry is often considered a male dominated sector. Kenya has seen increased participation of women in such sectors driven by affirmative action and gender equity initiatives. The research touched on knowledge gap around the level of women participation in garage enterprises in Langata constituency.

2.13 Summary of literature

In this chapter we have looked at what other scholars identify as factors influencing business performance. In terms of education, educated business owners have a tendency to excel in business. Training also has an influence on future business performance especially in terms of how it is delivered. Learning by doing approach is the preferred method of training. On a social context, women are generally disadvantaged in business performance especially because of other family obligations. Secondly, individual with families that have had support through previous exposure to business also perform better in business. The youth aged between 25 to 35 years are inclined to take more risks and therefore perform better in business compared to the older generation. Finally internal factors of technology change and employee motivation have been observed to affect business performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains discussion on the research methodology that was applied during the study. These include research design, target population, sample procedures and methods of data collection. The chapter further provides operational definition of variables of the study and the methods of data analysis.

3.2 Research Design

The study used descriptive survey research design. The survey solicited response from respondents that described the various aspects under study. Relationships among responses to multiple items were also examined. According to Jeffrey (2016) the most commonly used survey design by far is the cross-sectional design which will involve a sample or "cross section" of respondents chosen to represent a particular target population which in this case is the expected number of auto garage entrepreneurs in Langata Constituency. Coggon et al (1997) stated that a cross-sectional design is used for research that collects data on relevant variables at one point in time. The data was collected within the same month of the study.

A cross-sectional design was used to enable collection of data on all the identified variables in the study; the data was obtained from a large number of subjects who are dispersed within Langata Constituency. Using this research design also allowed for the study to be conducted at a relatively lower expense. Data for the study was collected from auto garage business owners.

Both quantitative and qualitative data was collected, thus, the research was mixed mode. Quantitative data was associated with business performance of auto garages in terms of profit margin and capital growth. Qualitative data on the other hand was associated with the opinions of auto garage owners regarding the influence of various factors to business performance. This was evaluated through ordinal questions to investigate different opinion levels among respondents on the variables under investigation.

3.3 Target Population

The list of registered garages by the Nairobi City Council (2016) is made up of 510 businesses derived from an average of 6 in each of the 5 wards in the 17 sub counties of Nairobi. From this distribution the population of formal garages within Langata Constituency was only 30. The research therefore adopted a census survey which apart from being used for the study would provide more accurate figures of Auto garage establishments in the constituency.

3.4 Sampling size and sampling procedure

This section describes the sample size and sampling procedure.

3.4.1 Sample Size

According to Mugenda and Mugenda (2003) a sample size of 30% is sufficient to represent the target population in data collection for a research study. The study area was limited to Langata Constituency where a census study was conducted. This approach was taken because the estimated sample size of six garages in each of the five wards would have meant a sample of 30 businesses that was not going to be statistically significant for the study.

3.4.2 Sampling procedure

The starting point in each ward was the local administration chief's office from where the main roads and commercial points of business were visited and questionnaires administered branching outward. The garages were through signage, assessment of activity at the main roads and through asking for directions from members of the public.

3.5 Data collection technique

The main instrument for data collection was survey questionnaires which allowed for uniform and fast way of data collection. The questionnaires were partly self-administered and partly interviewer administered. The questionnaire (Appendix II) had three main parts intended to obtain information about the respondents (mainly demographic, education and training and previous employment history). The second part asked questions relating to the business in terms of registration, number of employees, profit margin and turnover over the last three years. The last section sought to obtain respondents opinions on how factors under study influence business performance. Ordinal scales were used to measure opinion on the influence of factors ranging from strongly disagree to strongly agree.

Langata constituency is located in the South and Southwestern part of Nairobi. It has five wards of Karen, Nairobi West, Mugumoini, South C and Nyayo Highrise. The survey specifically covered the areas of Baricho road, Nyayo stadium, Nairobi west Shopping center, Madaraka, Strathmore, Tuskys, Wilson airport, Kenya institute of Mass Communication, South C Shopping center, Mombasa road border with South C all the way to Bellevue Cinema, Kenya water

institute, Akiba estate, South C Mosque, linking to Nairobi West Shopping Center. Other areas covered were Mugumoini and High rise Estate along Mbagathi road, Kenyatta Market, Kibera Laini Saba linking to Ngong road to Karen Shopping Center. In Karen, the research covered, Wilson airport along Langata road on either side, Bomas of Kenya, Magadi road towards Rongai shopping center.

Four research assistants assisted with collection and data entry. Tasks were divided within the research team where the researcher was the main project coordinator working with one of the research assistants as a supervisor and three data collection agents.

3.5.1 Pilot Study

Thirty auto garage businesses in the constituency were randomly selected for the pilot study. The pilot was used to train research assistants on how to conduct the main survey as well as check responses obtained for consistency. Six garage establishments were selected in each of the five wards for the study. Consequently thirty garages were visited in total and the questionnaires administered.

3.5.2 Validity of the study

After three weeks the same questionnaires that were used in the pilot study were administered again to the same respondents to check for consistency in responses obtained. This was applied to ensure that the questions in the study instrument were relevant to the study. Knowledge was gained on how to administer the research instrument and check if there were any vague observations for correction. The purpose was to reduce errors in data collection. Pearson's correlation coefficient was used to test relationships between variables.

3.5.3 Reliability of research instruments

Cronbach's Alpha Reliability test method was used to estimate the degree to which the same results would be obtained with a repeated measure of accuracy using the designed questionnaire as the research instrument. The coded data from the 24 sample survey questionnaires was entered into SPSS and analysis done to generate Cronbach's Alpha. An initial output 0.671 was obtained which after adjustment through omission of one variable on the influence of family wealth background produced an output of 0.70 that was within expected level of Reliability.

Table 3.1 Table of number of valid responses from sample questionnaires

Cases	N	%
Valid	17	70.8
Excluded[a]	7	29.2
Total	24	100.0

a. List wise deletion based on all variables in the procedure.

Source: SPSS Research sample data

Table 3.1 shows that out of the 24 sample questionnaires, 17 were valid for the analysis. The total number of valid questions was 13 with a reliability alpha of 0.7.

3.6 Operational Definition of Variables.

This section provides an explanation of the variables that were investigated in this study.

3.6.1 Independent Variables

As shown in Table 3.3, Independent variables of the study included; Education, training, gender, age and previous work experience. Education was assessed at the level reached namely primary, secondary, college diploma, college degree and master's degree. The mode of training was evaluated on how it was delivered through theory, both theory and practice or practice only.

Apart from the respondents gender, the variables of age and previous work experience were assessed based on number of years.

3.6.2 Dependent Variables

The impact on business was evaluated on the basis of profit margin and capital growth. Profit margin was checked in terms of average percentage gross profit from the business over the last three years. Capital growth was measured by evaluating historical gross business turnover.

Table 3.2 Operational definition of variables.

Independent Variables					
Objective	**Variables**	**Indicators**	**Measuring Scale**	**Research Design**	**Tools of Analysis**
Objective 1: To examine the influence of level of education on business performance of auto garage enterprises in Langata Constituency	Education	Level attained	Ordinal	Quantitative	Mode
Objective 2: To assess the influence of mode of training on business performance of auto garage enterprises in Langata Constituency.	Training	Mode of training	Ordinal	Quantitative	Mode
Objective 3: To investigate the influence of gender on performance of auto garage enterprises in Langata Constituency	Gender	Gender	Ordinal	Quantitative	Mode
Objective 4: To scrutinize the influence of entrepreneurs age on business performance of Auto Garage enterprises in Langata Constituency	Age	Age bracket in years	Nominal	Quantitative	Mode, Mean
Objective 5: To study the influence of previous work experience on business performance of Auto Garage enterprises in Langata Constituency	Experience	Age bracket in years	Nominal	Quantitative	Mode, Mean
Dependent Variable					
Objective	**Variables**	**Indicators**	**Measuring Scale**	**Research Design**	**Tools of Analysis**
Objective 1: To determine level of business performance of Auto Garage Enterprises in Nairobi County	Profit Margin	Profit Percent	Nominal	Quantitative	Mean, Mode, Median
	Capital Growth	Business Turnover			

3.7 Method of Data Analysis

The process included both descriptive and inferential analysis using SPSS version 20. The data from questionnaires was first examined to ensure completeness and accuracy. The information was then coded using numbers and categorized to ensure that feedback provided by respondents was properly captured. SPPS was then used to generate frequency distributions, Tables and graphs. Correlation and Regression analysis was used to measure the significant of correlation between independent and dependent variables. Descriptive analysis was used for categorical variables which were described in terms of frequencies distribution and percentages.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter provides results of data analysis from the survey that have been summarized and tabulated. Outcomes have also been discussed relative to objectives of the study which also provided information that formed the basis of discussion and interpretation.

4.2 Questionnaire Return Rate

The questionnaire was used to interview respondents in person. No questionnaires were left to be collected later as had been planned. About 9 questionnaires from a total of 131 were omitted due to missing or inconsistent data. Consequently, the questionnaire return rate was at 93% with 122 that were valid for the study.

4.3 Demographic Analysis

Information on gender, age, education was collected. Of the 122 respondents, 9% were female and 91% were male. This indicates that very few females are engaged in the business of auto garage repairs that is dominated by 91% of male garage business owners in Langata Constituency.

Table 4.1 Distribution of respondents by age category

Valid	Frequency	Percent	Valid Percent
18-24	12	9.8	9.8
25-34	54	44.3	44.3
35-44	37	30.3	30.3
45-55	11	9.0	9.0
Over 55	8	6.6	6.6
Total	**122**	**100.0**	**100.0**

Respondent's age ranged from 18 to over 55 years. However majority were aged between twenty five to thirty four years (44.3%) and thirty five to forty four years (30.3%). These two age categories are of interest because they fall within the government classification of youth enterprises. With inclusion of the age bracket between eighteen to twenty four years, it was observed that 84.4 percent of garage businesses in Langata are owned by the youth aged between eighteen to forty four years.

Table 4.2 Distribution of respondents by level of education

	Frequency	Percent	Valid Percent
Primary School	33	27.0	27.0
Secondary School	42	34.4	34.4
College Diploma	34	27.9	27.9
College Degree	13	10.7	10.7
Total	**122**	**100.0**	**100.0**

As seen in Table 4.2, the respondent's level of education was almost evenly distributed between primary to diploma level. Only ten percent of the respondents had college degrees.

4.4 Education and Business Performance

One of the objectives of the study was to examine the influence of education and mode of training on business performance. The data variables were grouped hence the Spearman correlation coefficient was used to investigate the relationship between level of education and business performance which was tabulated in Table 4.3. Outcomes showed no relationship between education and business performance. Despite this observation, most of the Auto Garage businesses made profit of over the last three years with means of 18% in 2013, 19.9% in 2014 and 21% in 2015 respectively. On the overall there was a very slight increase in profits over the past three years of only about 1% as seen in Table 4.4. It was also observed that most SME

garages are not very profitable because the mode profit margin for these establishments was at ten percent.

Table 4.3 Results of Spearman's Rho correlation of education and annual profit.

Spearman's rho		Education	Annual Profit Made in 2013	Annual Profit Made in 2014	Annual Profit Made in 2015
Education	Correlation Coefficient	1.00	-0.10	-0.10	-.191*
	Sig. (2-tailed)		0.27	0.29	0.04
	N	122.00	115.00	119.00	121.00
Annual Profit Made in 2013	Correlation Coefficient	-0.10	1.00	.466**	0.05
	Sig. (2-tailed)	0.27		0.00	0.58
	N	115.00	115.00	115.00	114.00
Annual Profit Made in 2014	Correlation Coefficient	-0.10	.466**	1.00	.469**
	Sig. (2-tailed)	0.29	0.00		0.00
	N	119.00	115.00	119.00	118.00
Annual Profit Made in 2015	Correlation Coefficient	-.191*	0.05	.469**	1.00
	Sig. (2-tailed)	0.04	0.58	0.00	
	N	121.00	114.00	118.00	121.00

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

**. Correlation is significant at the 0.01 level (2-tailed).

4.5 Mode of training and Business Performance

In regards to the mode of training, theory with practical examples was the most applied method of training at 48.8%. However this was mainly applied at College Diploma and College Degree institutions at 94.1% and 84.6% respectively. Training at secondary level was done through theory at 74% as seen in Table 4.5.

Table 4.4 Summary of annual profit percent 2013 to 2015

		Annual Profit Percent 2013	Annual Profit Percent 2014	Annual Profit Percent 2015
N	Valid	113.00	119.00	121.00
	Missing	9.00	3.00	1.00
Mean		18%	20%	21%
Median		15%	18%	20%
Mode		10%	10%	10%

A crosstab of level of education and mode of training was done to investigate the means of skills transfer at various levels and was summarized in Table 4.5. It was observed that skills transfer at college diploma level mainly involved theory and practice that any other level of education. Theory was the main mode of skills training at secondary and primary level. Frequency distribution on respondent's opinion on the influence of mode of training was also done and summarized as per Table 4.6 where 53.3% of the respondents agreed that the mode of training had an influence on business performance.

Table 4.5: Summary of crosstab of education by mode of training

Education		Mode of Training: Theory Only	Theory and Practice	Hands on Practice	Practice with real examples	Total
Primary School	Count	9	8	16	0	33
	% within Education	27.3%	24.2%	48.5%	0.0%	100.0%
	% of Total	7.4%	6.6%	13.1%	0.0%	27.0%
Secondary School	Count	30	8	2	2	42
	% within Education	71.4%	19.0%	4.8%	4.8%	100.0%
	% of Total	24.6%	6.6%	1.6%	1.6%	34.4%
College Diploma	Count	2	32	0	0	34
	% within Education	5.9%	94.1%	0.0%	0.0%	100.0%
	% of Total	1.6%	26.2%	0.0%	0.0%	27.9%
College Degree	Count	2	11	0	0	13
	% within Education	15.4%	84.6%	0.0%	0.0%	100.0%
	% of Total	1.6%	9.0%	0.0%	0.0%	10.7%
Total	Count	43	59	18	2	122
	% within Education	35.2%	48.4%	14.8%	1.6%	100.0%
	% of Total	35.2%	48.4%	14.8%	1.6%	100.0%

Results from categorical data correlation analysis showed that the mode of training had a positive correlation with profit percentage over the last three years as seen in Table 4.7.

Table 4.6 Response to influence of Mode of Training on business performance

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	1	.8	.8
	Disagree	15	12.3	12.3
	Neutral	19	15.6	15.6
	Agree	65	53.3	53.3
	Strongly Agree	22	18.0	18.0
	Total	122	100.0	100.0

An evaluation of capital growth over the last three years as summarized in Table 4.7 showed that on average auto garage businesses in Langata Constituency had positive growth between 2013 and 2015. The output also indicated multi-mode capital growth figures. Using KES 200,000 as the category classification value, the nominal capital turnover data was recorded and grouped to allow for a test in the strength of relationship between mode of training and capital turnover using cross tabulation and Pearson Chi Square test of significance between the variables.

Table 4.7 Results of Spearmans Rho Correlations of mode of training to annual profit

			Mode of Training	Annual Profit Made in 2013	Annual Profit Made in 2014	Annual Profit Made in 2015
Spearman's rho	Mode of Training	Correlation Coefficient	1.000	.259**	.288**	.277**
		Sig. (2-tailed)		.005	.001	.002
		N	122	115	119	121
	Annual Profit Made in 2013	Correlation Coefficient	.259**	1.000	.466**	.053
		Sig. (2-tailed)	.005		.000	.576
		N	115	115	115	114
	Annual Profit Made in 2014	Correlation Coefficient	.288**	.466**	1.000	.469**
		Sig. (2-tailed)	.001	.000		.000
		N	119	115	119	118
	Annual Profit Made in 2015	Correlation Coefficient	.277**	.053	.469**	1.000
		Sig. (2-tailed)	.002	.576	.000	
		N	121	114	118	121

**. Correlation is significant at the 0.01 level (2-tailed).

The decision rule for assessing that the test was is significant was determined from the p value where $p \leq 0.05$ would have implied that there is a relationship between the variables and $p \geq 0.05$ would have meant there was insignificant relationship between the variables. Results produced and tabulated in Table 4.11 showed a P value output of 0.004 which meant there was significant relationship between mode of training and annual capital turnover.

Table 4.8 Annual Capital Turnover in the last three years

		Annual Capital Turnover 2013	Annual Capital Turnover 2014	Annual Capital Turnover 2015
N	Valid	112	118	122
	Missing	10	4	0
Percentiles	Mean	526734.82	581549.15	844922.34
	Median	360000.00	384000.00	430000.00
	Mode	200000	200000[a]	200000[a]
	Range	2499700	3099700	22048000
	25	200000.00	247500.00	250000.00
	50	360000.00	384000.00	430000.00
	75	600000.00	642500.00	800000.00

a. Multiple modes exist. The smallest value is shown

A check was also done to evaluate capital turnover by the mode of training that had been offered to the respondents through a cross tabulation of mode of training to capital turnover for 2013 that was summarized in Table 4.9. Theory and practice had the highest performance followed by theory only. The former method of training also had the highest capital turnover valuation where 90% of business owners were grossing over KES 800,000 per annum.

Table 4.9 Summary of crosstab of mode of training and capital turnover 2013

		Annual Capital Turnover					
Mode of Training		0-1.9M	0.2M-3.9M	0.4M-0.59M	0.6M-0.79M	> 0.8M	Total
Theory Only	Count	9	14	8	4	1	36
	% within Annual Capital Turnover 2013	31.0%	45.2%	42.1%	30.8%	5.0%	32.1%
Theory and Practice	Count	12	12	7	7	18	56
	% within Annual Capital Turnover 2013	41.4%	38.7%	36.8%	53.8%	90.0%	50.0%
Hands on Practice	Count	8	4	3	2	1	18
	% within Annual Capital Turnover 2013	27.6%	12.9%	15.8%	15.4%	5.0%	16.1%
Practice with real examples	Count	0	1	1	0	0	2
	% within Annual Capital Turnover 2013	0.0%	3.2%	5.3%	0.0%	0.0%	1.8%
Total	Count	29	31	19	13	20	112
	% within Annual Capital Turnover 2013	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

4.6 Gender and Business Performance.

Only 9% or 11 out of the 122 respondents interviewed were women. Given that this was a census study of business owners, the figures showed a very low number of female Auto Garage business owners in Langata Constituency of Nairobi.

Table 4.10 Summary of cross tabulation of gender by capital turnover 2014

		Annual Capital Turnover 2014					
Gender		0-1.9M	0.2M-3.9M	0.4M-0.59M	0.6M-0.79M	> 0.8M	Total
Female	Count	3	0	2	0	6	11
	% within Respondents Gender	27.3%	0.0%	18.2%	0.0%	54.5%	100.0%
	% within Annual Capital Turnover 2014	13.0%	0.0%	10.5%	0.0%	27.3%	9.3%
	% of Total	2.5%	0.0%	1.7%	0.0%	5.1%	9.3%
Male	Count	20	38	17	16	16	107
	% within Respondents Gender	18.7%	35.5%	15.9%	15.0%	15.0%	100.0%
	% within Annual Capital Turnover 2014	87.0%	100.0%	89.5%	100.0%	72.7%	90.7%
	% of Total	16.9%	32.2%	14.4%	13.6%	13.6%	90.7%
Total	Count	23	38	19	16	22	118
	% within Respondents Gender	19.5%	32.2%	16.1%	13.6%	18.6%	100.0%
	% within Annual Capital Turnover 2014	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	% of Total	19.5%	32.2%	16.1%	13.6%	18.6%	100.0%

Capital turnover by gender in 2014 was investigated through a cross tabulation and the results summarized in Table 4.10. It was observed that capital turnover among female respondents was lower than their male counterparts. However, within the female gender category 54.5% of the women were doing very well with capital turnover of more than 0.8 Million.

Table 4.11 Summary of respondent's gender by influence on business performance

		Influence of Gender					
Gender		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Female	Count	0	2	0	4	5	11
	% within Respondents Gender	0.0%	18.2%	0.0%	36.4%	45.5%	100.0%
	% of Total	0.0%	1.6%	0.0%	3.3%	4.1%	9.0%
Male	Count	4	4	14	45	44	111
	% within Respondents Gender	3.6%	3.6%	12.6%	40.5%	39.6%	100.0%
	% of Total	3.3%	3.3%	11.5%	36.9%	36.1%	91.0%
Total	Count	4	6	14	49	49	122
	% within Respondents Gender	3.3%	4.9%	11.5%	40.2%	40.2%	100.0%
	% of Total	3.3%	4.9%	11.5%	40.2%	40.2%	100.0%

Both men and women agreed that gender influenced business performance. Five out of the eleven women interviewed 45.5% felt that gender is a factor that influenced business performance. The opinion was slightly less among male respondents where 44 of the respondents accounting for 39.6% felt that gender had an influence on business performance.

Table 4.12 Summary of cross tabulation of gender by number of employees

		Number of employees				
Gender		1-10	11-20	21-30	41-50	Total
Female	Count	10	1	0	0	11
	% within Respondents Gender	90.9%	9.1%	0.0%	0.0%	100.0%
	% of Total	8.2%	.8%	0.0%	0.0%	9.0%
Male	Count	102	6	2	1	111
	% within Respondents Gender	91.9%	5.4%	1.8%	.9%	100.0%
	% of Total	83.6%	4.9%	1.6%	.8%	91.0%
Total	Count	112	7	2	1	122
	% within Respondents Gender	91.8%	5.7%	1.6%	.8%	100.0%
	% of Total	91.8%	5.7%	1.6%	.8%	100.0%

Table 4.12 is a summary of cross tabulation between gender by number of employees which was done to assess the business size by the gender among respondents. It was observed that while 90% of both female and male owned enterprises were small in size with less than ten fulltime employees, female owned businesses still under performed in all categories of capital turnover compared to their male counterparts.

4.7 Age and work experience.

Mean business performance of all auto garages in terms of annual profit percent and capital turnover from 2013 to 2015 was computed in terms of annual profit and capital turnover and summarized in Table 4.13. The mean annual profit from 2013 to 2015 ranged from 18% to 21%. As per Table 4.1 the mean capital turnover ranged from KES 529,410.71 to KES 847,504.30.

Table 4.13 Mean annual profit percent and capital turnover from 2013 to 2015

		Annual Profit Percent 2013	Annual Profit Percent 2014	Annual Profit Percent 2015	Annual Capital Turnover 2013	Annual Capital Turnover 2014	Annual Capital Turnover 2015
N	Valid	113	119	121	112	118	122
	Missing	9	3	1	10	4	0
	Mean	18.0354%	19.908%	21.0661%	529410.71	584088.98	847504.30
	Median	15.0000%	18.000%	20.0000%	360000.00	384000.00	430000.00
	Mode	10.00%	10.0%	10.00%	200000	300000	200000[a]

a. Multiple modes exist. The smallest value is shown

As had been observed in Table 4.2, 84.4 percent of garage businesses in Langata Constituency are owned by the youth aged between eighteen to forty four years. The hypothesis had stated that there is a significant relationship between an entrepreneur's age and previous work experience on business performance. Discrete data on the dependent variables of annual profit percent and capital turnover were categorized in order to test this hypothesis using Spearman's

correlation coefficient. Results showed a positive correlation between age and annual profit at significance level of 1% which implied that the hypothesis was correct.

Table 4.14 Correlations of age and annual profit.

		Age Group	Annual Profit Made in 2013	Annual Profit Made in 2014	Annual Profit Made in 2015
Age Group	Correlation Coefficient	1.000	.317**	.219*	.233*
	Sig. (2-tailed)	.	.001	.017	.010
	N	122	115	119	121
Annual Profit Made in 2013	Correlation Coefficient	.317**	1.000	.466**	.053
	Sig. (2-tailed)	.001	.	.000	.576
	N	115	115	115	114
Annual Profit Made in 2014	Correlation Coefficient	.219*	.466**	1.000	.469**
	Sig. (2-tailed)	.017	.000	.	.000
	N	119	115	119	118
Annual Profit Made in 2015	Correlation Coefficient	.233*	.053	.469**	1.000
	Sig. (2-tailed)	.010	.576	.000	.
	N	121	114	118	121

**. Correlation is significant at the 0.01 level (2-tailed).

The relationship between age and capital turnover was further checked by cross tabulation of age group by annual capital turnover for the year 2015 as tabulated in Table 4.15. Results confirmed the direct correlation between these variables held true for the age bracket from 18 to 34 years where in all turnover categories, capital increased with age. Above the age of 35 to over 55 the correlation was negative in that capital turnover decreased with age.

Table 4.15 Summary of crosstab of age group by annual capital turnover 2015

Age Group		Annual Capital Turnover 2015					
		0-1.9M	0.2M-3.9M	0.4M-0.59M	0.6M-0.79M	> 0.8M	Total
18-24	Count	1	3	5	1	2	12
	% of Total	.8%	2.5%	4.1%	.8%	1.6%	9.8%
25-34	Count	5	14	13	9	13	54
	% of Total	4.1%	11.5%	10.7%	7.4%	10.7%	44.3%
35-44	Count	9	6	4	1	17	37
	% of Total	7.4%	4.9%	3.3%	.8%	13.9%	30.3%
45-55	Count	4	4	1	0	2	11
	% of Total	3.3%	3.3%	.8%	0.0%	1.6%	9.0%
Over 55	Count	3	3	0	1	1	8
	% of Total	2.5%	2.5%	0.0%	.8%	.8%	6.6%
Total	Count	22	30	23	12	35	122
	% of Total	18.0%	24.6%	18.9%	9.8%	28.7%	100.0%

4.8 Work experience and business performance.

More than half or 51.6% to be specific of the respondents had previous work experience prior to starting their own business as summarized in Table 4.16.

Table 4.16 Distribution of respondents previous employment experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	63	51.6	51.6	51.6
	No	59	48.4	48.4	100.0
	Total	122	100.0	100.0	

A very small minority of 18% of the respondents disagreed with the fact that previous work experience had contributed to success in business. The frequency distribution of responses on influence of previous work experience was summarized in Table 4.16, where it was observed that 72.9% agreed that previous work experience had an influence on business performance.

Table 4.17 Influence of Previous Work Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	5	4.1	4.1	4.1
	Disagree	17	13.9	13.9	18.0
	Neutral	11	9.0	9.0	27.0
	Agree	53	43.4	43.4	70.5
	Strongly Agree	36	29.5	29.5	100.0
	Total	122	100.0	100.0	

In order to establish the significance of the influence of previous work experience on business performance, a cross tabulation of previous work experience and capital turnover in 2015 was done and summarized in Table 4.18. The outcomes further supported the observation that entrepreneurs who had prior work experience performed better in business with profit margins on the overall at 51.2% compared with business owners without prior work experience at 48.8%. Additionally, in each of the profit margin categories, entrepreneurs with previous work experience performed better than their counterparts without previous experience in two out of three clusters of profit percent.

Table 4.18 Cross tabulation of previous experience by annual profit made in 2015

		Annual Profit Made in 2015				
		Loss	0-30%	31-60%	>60%	Total
Yes	Count	2	50	10	0	62
	% within Annual Profit Made in 2015	50.0%	53.8%	43.5%	0.0%	51.2%
	% of Total	1.7%	41.3%	8.3%	0.0%	51.2%
No	Count	2	43	13	1	59
	% within Annual Profit Made in 2015	50.0%	46.2%	56.5%	100.0%	48.8%
	% of Total	1.7%	35.5%	10.7%	.8%	48.8%
Total	Count	4	93	23	1	121
	% within Annual Profit Made in 2015	100.0%	100.0%	100.0%	100.0%	100.0%
	% of Total	3.3%	76.9%	19.0%	.8%	100.0%

The statistical significance of relationship was also investigated using spearman's correlation coefficient and the results were summarized in Table 4.19. There was a positive correlation between previous work experience and business performance. It was therefore concluded that the hypothesis which stated that work experience had an influence on business performance was correct.

Table 4.19 Correlations of Previous employment experience and annual capital turnover

Spearman's rho		Previous employment experience	Annual Capital Turnover 2013	Annual Capital Turnover 2014	Annual Capital Turnover 2015
Previous employment experience	Correlation Coefficient	1.000	-.146	-.133	-.151
	Sig. (2-tailed)		.125	.151	.097
	N	122	112	118	122
Annual Capital Turnover 2013	Correlation Coefficient	-.146	1.000	.768**	.665**
	Sig. (2-tailed)	.125		.000	.000
	N	112	112	112	112
Annual Capital Turnover 2014	Correlation Coefficient	-.133	.768**	1.000	.829**
	Sig. (2-tailed)	.151	.000		.000
	N	118	112	118	118
Annual Capital Turnover 2015	Correlation Coefficient	-.151	.665**	.829**	1.000
	Sig. (2-tailed)	.097	.000	.000	
	N	122	112	118	122

**. Correlation is significant at the 0.01 level (2-tailed).

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is a summary of findings from chapter four of data analysis and discussions on those findings. Conclusions and recommendations focused on the purpose of the study.

5.2 Summary of Findings

The study was conducted in 122 SME garages in Langata Constituency of Nairobi County, Kenya. Of the 122 respondents, 9% were female and 91% were male. This indicates that very few females are engaged in the business of auto garage repairs that is dominated by men in Langata constituency. With inclusion of the age bracket between eighteen to twenty four years, it was observed that 84.4% of garage businesses in Langata are owned by the youth aged between 18 and 44 years. The study findings showed that education had no influence on business performance because highly educated college graduates didn't have significant difference in business performance compared to entrepreneurs who had only attained primary and secondary level of education. In regards to the mode of training, theory with practical examples was the most applied method of training at 48.8% but at College Diploma and College Degree institutions at 94.1% and 84.6% respectively. Training at secondary level was done through theory at 74%. It was also established that theoretical training is the preferred mode of knowledge transfer in primary and secondary school level at 74%. On the overall, entrepreneurs who had undergone both theory and practical mode of training irrespective of level of education performed better in business compared to those that had only received theoretical training. More

than half or 53.3% of the respondents agreed that the mode of training had an influence on business performance.

The research also established that participation by women in the sector was very low. It was evident that gender had an influence on business performance because enterprises headed by men outperformed female enterprises under similar conditions of location and business size. It was observed that capital turnover among female respondents was lower than their male counterparts. However, within the female gender category 54.5% of the women were doing very well with capital turnover of more than 0.8 Million.

Entrepreneur's age had a mixed influence on business performance because it was established that age had a positive correlation to business performance at the early years of 18 to 34 years after which profitability normalized and eventually had a negative relationship on annual profits and capital turnover in the age category above 35 years.

With regard to previous work experience, it was observed that entrepreneurs who had previous work experience performed better in business that those that had no prior experience. However this difference was not very significant which therefore implied that previous work experience only gave a slight advantage over those that had none.

5.3 Discussion

Education is important but it is not a guarantee of success in business because irrespective of the level of education an entrepreneur can still succeed in business. Scholars had argued that

education gave business owners improved ability to interpret the complexities of business and that education prepared entrepreneurs at every level. This research has proved that this advantage does not necessarily apply among business owners of auto garage enterprises in Langata Constituency.

A factor that has influence on business performance of auto garage enterprises in Langata Constituency is training or method of skills transfer. Theory and practice is the preferred method of skills transfer because entrepreneurs who were trained using this method performed better than those who had only received theoretical or practical training. It is interesting to note that entrepreneurs who need to benefit from this approach must therefore invest in some form of education in order to understand the theoretical aspect of skills transfer.

Gender places female entrepreneurs at a disadvantaged position compared to their male counterparts in this business sector. Not only is participation by women lower than that of men but business performance by the few women auto garage owners in Langata Constituency is still lower that of men. The blue collar auto garage enterprise is still a male dominated business in Langata Constituency.

Participation by the youth in enterprise is higher below the age of 34 years where a positive correlation exists with profit margin and capital growth. Young entrepreneurs take more risks that can also be attributed to the high level of unemployment within the country. However above the age youth classification that starts from 35 years and above there is less appetite for risk and business venture among auto garage entrepreneurs in Langata.

More than half or 51.6% to be specific of the respondents had previous work experience prior to starting their own business. A very small minority of 18% of the respondents disagreed with the fact that previous work experience had contributed to success in business. Entrepreneurs who had prior work experience performed better in business with profit margins on the overall at 51.2% compared with business owners without prior work experience at 48.8%. Prior experience provided additional knowledge on the business which was a necessary leverage to successful enterprise.

5.4 Conclusion

A number of issues were distinctively established from this research. First is that one did not necessarily need to have high level of education in order to succeed in running an auto garage. This outcome was in agreement with studies conducted by Longnecker (2003) which stated that Formal education is not necessary for starting a new business. The findings were also similar to the outcomes of research by Levie (2008) which found that even though the perception of skills is directly associated with the level of new business activity in a nation, education appeared to have little role in fostering such skills. However, where such education is available, the best means to prepare students for enterprise was to deliver training through theory and practice. This was is in line with observations by ILO (2011) that suggested a “learning-by-doing” approach, which stressed the importance of activities that exposed students to concrete entrepreneurial practices.

Women were disadvantaged in the sector and gender remained factor that hindered success for female entrepreneurs. These observations were similar to findings from Gakure's study (2004) in Kenya that sought to determine the social factors that influence growth and development of female-operated enterprises. The study found that majority performed poorly.

In this research, it was observed that young entrepreneurs were more successful compared to older garage owners in this sector within Langata Constituency. These findings compared positively with observations of the Blachflower study at the Kenya Institute of management (KIM) in 2004, where the age group of between 26-30 years had the highest number of self-employed "youth".

Knowledge gained trough previous employment gave entrepreneurs an edge over those that had no employment experience. Previous research indicated that prior business ownership experience was a key variable with regard to reaching milestones in the business start-up process (Rotefoss, 2001) and that experience positively related to the probability of venture implementation as observed by Alsos et al, in 1998.

5.5 Recommendations

Women are still disadvantaged in business. It is recommended that all aspects of the affirmative action should be applied to encourage more women to participate in enterprise. The education curriculum should be revised to accommodate more practical sessions with theoretical coaching to improve positive future enterprise development. New graduates should seek internship opportunities to gain real employment exposure as preparation for enterprise because the

experience gained will help them perform better than new entrepreneurs who have not been exposed through employment.

5.6 Suggestions for further research

The study was limited to Auto Garage sector in Langata constituency. Further research should be done for other parts of the county and nationally to establish how these factors influence performance of similar businesses in a wider geographical area. Research can also be expanded to other business sectors. Additional research is required into the best means through which women can be encouraged to participate more in business ventures.

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APPENDICES

Appendix I: Map of Langata Constituency

Source: Google Maps 2016

Appendix II: Letter to support of data collection instruments

George Odhiambo Obel
P.O.Box 26023-00504
Nairobi

To whom it may concern

RE: DATA COLLECTION FOR STUDY ON FACTORS INFLUENCING BUSINESS PERFORMANCE OF AUTO GARAGE ENTREPRENUERS IN NAIROBI COUNTY

My name is George Odhiambo Obel, National Identity No. 11247986, a student at the University of Nairobi, School of Continuing and Distance Education, registration number L50/61364/2013. I am currently undertaking my research project as a requirement for award of the degree of Masters of Arts in Project Planning and Management. My study is on the factors influencing business performance of Auto Garage entrepreneurs in Nairobi County.

As a valued and successful business owner, I am writing to kindly request for your support of my data collection process for this study. I also undertake to re-assure you that any information to be obtained as a result of this exercise will be treated with strict confidence and only used for the intended research.

Kindly fill the attached questionnaire and seal it in the envelope provided for collection in four days. My research assistants and I are also available to go through the questionnaire with you. It is estimated to take only ten minutes to complete the document.

Please feel free to reach me on the contacts provided below should you require any further assistance or clarifications in this regard.

I look forward to your cooperation.

Thank you,

Obel George Odhiambo

Email: obel@georgeo.net

Phone: +25472093311

Appendix III: Data collection questionnaire

About you

Name: _____

1. Gender (underline applicable): Female Male

2. Age Group (underline applicable): 18-24 25-34 35-44 45-55 over 55

3. Which county best represents where you were born and raised?

   _____County

4. a) Please select the highest level of education attained. (Underline Applicable)
   1. Primary 2. Secondary 3. Diploma 4. Degree 5. Masters

   b) Name of Institution_____

   c) Year graduated_____

   d) How was the training delivered? (Underline applicable)

1=Theory 2=Theory and Practice
3=Hands on Practice 4=Hands on with real examples

5. a) Did you attended any other form of training after your school education?
   1. Yes 2. No

   If yes, Name of Institution _____Year_____

   Course_____ Length of study in years_____

   b) How was the training delivered? (Underline applicable)

   1=Theory 2=Theory and Practice

3=Hands on Practice 4=Hands on with real examples

6. a) Were you employed in the same field before you started your business?
   1. Yes 2. No

   If yes, Length of employment in years_____

About your business

7. Name: _____ Year Registered_____

8. Number of Employees: 1-10 11-20 21-30 31-40 41-50 >50

9. Please share the overall profit margin of your business in terms of percentage over the last three years. 2013_____ 2014_____ 2015_____

10. Please provide history of your business capital turnover over the last three years

    a) 2013_____2014_____ 2015_____

Your valued opinion

There are several factors that may have influenced your business in one way or another please select on a scale of 1 to 5 your opinion on the magnitude of each.

1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree

Description of factor (Shade the applicable option)	1	2	3	4	5
11. The education you received in school coursework	1	2	3	4	5
12. The mode of training in school	1	2	3	4	5
13. Your gender	1	2	3	4	5
14. Previous work experience in the same industry	1	2	3	4	5

15. May we contact you about your input at a later date?
    If so, please provide your e-mail address. _____
    Telephone number: _____