

**THE EFFECT OF RETIREE FINANCIAL RESOURCES ON THE  
PERFORMANCE OF MICRO AND SMALL ENTERPRISES IN  
MURANG'A TOWNSHIP**

**By**

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Award of the Degree of Master of Development Studies**

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## DECLARATION

I, Lenjo Scholastica Mbala, declare that this project is my original work and has not been submitted for examination at any academic institution.

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This research project has been submitted to the University for Examination with my approval as a university supervisor

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## **DEDICATION**

*To*

*My loving family,*

*Thank you for believing in me and for the wholesome support.*

## ACKNOWLEDGEMENT

I begin by passing my most sincere gratitude to my father God, possessor of heaven and earth in all his fullness. Knowing that God was upholding me in his hands kept me safe. Knowing that Jesus was with me every step of the way through every struggle and every lesson learnt kept me going. Knowing that the Holy Spirit was there to patiently help me learn and to convict me of my mistakes kept me growing.

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## ACRONYMS

GoK	Government of Kenya
KNBS	Kenya National Bureau of Statistics
RBA	Retirement Benefits Authority
UNFPA	United Nations Population Fund
OECD	Organization for Economic Co-operation and Development
UN	United Nations
MSEs	Micro and Small Enterprises
MIPAA	Madrid International Plan of Action on Ageing
AU	African Union
CoK	Constitution of Kenya
NACOSTI	National Commission for Science, Technology and Innovation
KII	Key Informant Interview

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## **ABSTRACT**

Using the continuity theory as a lens, this study recognizes that retirement is not the end of working for retirees. Retirees establish continuity in their lives through MSEs. The focus of the study was the effect of retirees' financial resources on the performance of micro and small enterprises in Murang'a Township. The objectives were to assess the characteristics of retiree-owned MSEs in Murang'a Township; to examine the relationship between retiree's financial resources and the performance of their post-retirement businesses in Murang'a Township and to determine the challenges of retiree-owned MSEs in Murang'a Township. The study used a descriptive cross-sectional approach. The retirees were identified through non-random sampling and therefore the findings of this study cannot be generalized to a larger population. The study findings determined that there were more male business owners than female ones. The highest level of education by a majority of the retirees was completing secondary school and the age-groups of the retirees were between 55-84 and 85 and over. To examine the relationship between retiree financial resources and the performance of micro and small enterprises, the chi-square test of independence was carried out in order to avoid assumptions of normality. The results show that there is no relationship between retiree financial resources and the performance of micro and small enterprises in Murang'a Township. The study used non-financial performance measures for there is no empirical evidence of preferring financial over non-financial performance measures. The study concluded that in fact, performance measures vary depending on the individual entrepreneurs' objectives. The findings point out that almost all the retirees' sampled considered their business an absolute success even though the motives for starting the business varied from one individual to the other.

## CHAPTER ONE

### 1.0. Introduction

Kenya is among countries included in the global rise in numbers of senior citizens. The Constitution of Kenya, 2010 (Article 260) defines a senior citizen as a person who has reached sixty years. The numbers of older persons aged 60 years and above in Kenya is rising. The Kenya National Population Census Report 1949 had 270,000, which rose to 1.4 million in the 1999 National Population and Housing Census (GoK, 2009). The Kenya Population and Housing Census (KNBS, 2019) shows that population to be above 1.76 million and was projected to be 2.6 million in 2020 (GoK, 2014 *projections*). These large proportions of older persons include retirees who have retired from different sectors.

According to (Maina, L., & Mwangi, S., 2018), retirement is a stage in life where a person stops their regular work, or they reduce their engagement in income-related pursuits. Retirement does not always mean the end of working because many retirees go back to the labor market for post-retirement employment (Githui, 2012) and (Hira, K. T., & Mugenda, O. M., 1998). Retirement can either be the end of economic activity or a change in one's economic activity. The retirement sector in Kenya has greatly grown and it keeps growing. There are about 252, 000 retired public servants who receive pension benefits. There are also several private sector retirees receiving retirement benefits (Were, 2009; Wanga, 2013 in (Maina, L., & Kimani, E., 2020). For retirees who registered in or joined a pension scheme during their working years, retirement comes with an expectation of retirement benefits. Retirees who may not be receiving pension benefits muster other forms of cushioning mechanisms in order to keep them going (Ouma, et al., 2019).

Retirement happens globally but the mandatory retirement ages vary across different countries in the continents. In Kenya, the stipulated retirement for a number of private sector and civil service employees is 60 years old (RBA, 2009). The retirement ages in Kenya's military vary according to ranks within the military. Some security agencies have a lower retirement age of between 40 to 50 years. Kenyan universities, government parastatals and judge's retirement ages go up to 70 years or higher (Maina, L., & Mwangi, S., 2018). However, in the absence of a clearly defined retirement age in the public or private sectors or any other employment, the age limit for mandatory retirement is a contractual employment agreement between the employer and employee. It could also be

by the employer in consultation with the employee as illustrated in section 10(5) of the Employment Act, 2007.

According to (Barrientos, A., Gorman, M., & Heslop, A., 2003) & Erdman, (1984), an increase in age does not necessarily equate to an inability to perform. In Malaysia for example, (Yahya. K.K, Johari.J, Adnan. Z, Isa.M, and Daud.Z., 2008) state that opportunities should be made available for retirees to continue working if they choose to. The (GoK, 2009) encourages programs in communities and at the national level to tap into the skills and knowledge of retirees (*Revised*, 2014). This study recognizes that all retirees who enter into retirement are still equipped with the knowledge and skills that they had gathered over the years from their previous occupations. Older persons participate in either the formal or informal workforce way beyond retirement age. They add to an entrepreneurial ecosystem (UNFPA and Help Age, 2012). In countries where those who want to continue working past mandatory retirement age can, there is retention in the formal workforce (OECD, 2017), which may enhance labour productivity due to the skills and experience older persons possess (Yahya *et al.*, 2008).

These older members of society definitely include retirees because the mandatory retirement ages of several countries, including Kenya, collide with what literature terms as the beginning of ‘old age’. Productive ageing “*which is the ability of older persons to keep working in a paid or voluntary capacity*” is rather common. Public debates and policies should promote older persons as agents to several development challenges. (Thuku, P., Maina, L., & Gecaga, M., 2016), explain that policy should build the capacity of retirees to contribute to development and expand their opportunities to do so. This study therefore alludes to the notion that retirees or older persons are a valuable resource for development (Yahya *et al.*, 2008; Help Age International, 2002; UN 1999)

### **1.1. Background of the Study**

Shiamwama *et al.*, (2014) explain that most retirees in Kenya opt to venture into businesses once they enter into retirement. A good number of retiree’s preferring to remain active and engaged even after retirement. Micro and small enterprises are considered as part of business enterprises. According to (Gichuki, J.A.W., Njeru, A. & Tirimba,O.I., 2014) MSEs are significant to the economy of many countries. MSEs in Kenya are said to contribute to more than a half of new jobs created. It is emphasized that (Mbugua, Mbugua,

Wangoi, Ogada, & Kariuki, 2013) micro and small enterprises absorb the ever-growing numbers of unemployed persons in general.

Finances are important for the success of any business as they help to start up, with working capital, to expand and diversify a business. In a good number of countries, retirement pension is received as soon as 60 years and post-retirement work often begins almost immediately one leaves employment (Maestas, 2010 in Dingemans *et al.*, 2016). In Kenya, the mandatory retirement for a number of private sector and civil service employees is 60 years old (Maina, L., & Mwangi, S., 2018) and retirement benefits are received shortly after (Ouma, et al., 2019). Retirement benefits give retirees a unique advantage when it comes to the financial position to start a business after retirement.

According to McCormick and Pedersen, (1996) the growth of an enterprise is dependent on the characteristics of its entrepreneur. These characteristics include their motivation, previous management experiences and demographics like age and education. How educated an entrepreneur is may affect the MSEs characteristics such as growth and performance. Entrepreneurs who fall on the higher side of the academic continuum are deemed to possess greater verbal communication skills, better comprehension, human resource management among other important skills in business management and decision-making (Mbugua, Mbugua, Wangoi, Ogada, & Kariuki, 2013).

## **1.2. Problem statement**

A good number of studies have considered retirees or older persons as dependents and a burden to their households, communities and the state (World Bank, 1994). Such literature created a stigma around retirement to the point of making some employees to fake their ages in order to extend their working period (Kodia, K.J.G., 2014). Life after retirement is possible and retirees contribute to economic development. According to a reflection by Maritz (2019), *“Since populations have a longer and more active life-span, there will be an increasing number of healthy older persons with skills, financial resources and time who are able and willing to participate in and contribute to economic activity”* (in Stephens & Hegarty, 2021).

This study recognizes that a good number of retirees in Kenya create a continuity in their lives by starting businesses (micro and small enterprises) in retirement (Shiamwama, Ombayo, & Mukolwe, 2014). Working during retirement is important for retirees as it

reduces dependency and increases retirees' well-being (Dingemans, E., Henkens, K., & van Solinge, H., 2016). In order to run and grow a successful MSE, one is required to have finances and expertise (Stephens & Hegarty, 2021) ; (Babajide, 2012). Retirees find themselves in a unique position having acquired expertise from their previous occupations and having finances from their retirement benefits. The retirees' unique financial position as well as their expertise from previous occupations gives them a unique advantage when it comes to starting, running, expanding and growing business enterprises.

According to (Mead, D.C., & Liedholm, C., 1998), the starting of new enterprises in business and expanding of activities in existing enterprises increases the numbers of people running or employed in MSEs. Retiree owned micro and small enterprises (MSEs) add to grass root economic development since MSEs are recognized as a great employer and income generator in many developing countries (Gichuki, J.A.W., Njeru, A. & Tirimba,O.I., 2014). Through MSEs, retirees can add to their investments, increase employment and achieve their personal goals of remaining engaged after retirement and maintaining a continuity in their lives (Namala, A., & Milanzi, A. M., 2020).

Studies on MSEs have mostly focused on the following angles. The youth and microfinance angle (Mollo, 2017), on the effect of gender on the performance of MSEs (Chirwa, 2008), on the effect of microfinance on MSEs growth (Babajide, 2012), and on challenges facing MSEs in accessing credit facilities (Gichuki, J.A.W., Njeru, A. & Tirimba,O.I., 2014). This study brings a unique angle to micro and small enterprises by focusing on the effect of retiree financial resources on the performance of MSEs in Murang'a Township.

### **1.3. Research Questions**

#### **General Research Question**

What is the effect of retiree's financial resources on the performance of MSEs in Murang'a Township?

#### **Specific Research Questions**

1. What are the characteristics of retiree-owned MSEs in Murang'a Township?
2. What is the relationship between retirees' financial resources with the performance of their post-retirement businesses in Murang'a Township?
3. What are the challenges of retiree-owned MSEs in Murang'a Township?

## **1.4. Research Objectives**

### **General Research Objective**

To assess the effect of retiree's financial resources to the performance of their post-retirement businesses in Murang'a Township

### **Specific Research Objectives**

1. To assess the characteristics of retiree-owned MSEs in Murang'a Township.
2. To examine the relationship between retirees' financial resources and the performance of their post-retirement businesses in Murang'a Township.
3. To determine the challenges of retiree-owned MSEs in Murang'a Township.

### **General assumption**

Retirees' contribute to economic development through businesses (micro and small enterprises). In light of their financial resources, retirees affect the performance of micro and small enterprises.

## **1.5. Justification of the study**

Literature emphasizes on the need for retirees to continue working after retirement because work gives retirees independence (Maina, L., & Kimani, E., 2020) ; (Thuku, P., Maina, L., & Gecaga, M., 2016). There are very few studies on working after retirement in Kenya and specifically within Murang'a Township. Murang'a Township is a very strategic ward, and it hosts Murang'a town which is, the largest town and capital of Murang'a County. Murang'a town has a good balance of opportunities for retirees to work after retirement. This study therefore contributes to the development agenda concerning the participation and contribution of older persons to the development process (MIPAA, 2002) and specifically economic development. Kenya as a member state of the United Nations is expected to implement the (MIPAA, 2002). Research groups and academia as stakeholders in the review and appraisal process of (MIPAA, 2002) have a role to carry out research informed by existing national policies and programmes on ageing and to share their findings and recommendations. Therefore, viewing retirees as a development resource to be tapped into, as opposed to an economic burden to be rid of (United Nations, International Year of Older Persons, 1999). The results provided in this study will be a useful addition when it comes to reflections by policy makers in future decision-making. The study will also expound on the knowledge base of future research groups and academia.

## **1.6. Limitations of the study**

It is of utmost significance to note that this study is limited in a number of ways. Firstly, the study cannot be inferred to a larger population due to the use of non-probability sampling. Secondly, the study was limited in the range of types of retiree-owned businesses it was able to cover because by using snowballing the researcher only went to the retirees' who were referred to her and perhaps excluded others. Lastly, the study was limited in its focus as it focused on one ward, that is, Murang'a Township. This means that there is room for further research in a wider scope.



## CHAPTER TWO

### 2.0. LITERATURE REVIEW

#### 2.1. Theoretical literature review

When it comes to retirement and ageing, there a number of theories including disengagement theory, role theories of retirement and continuity theory.

The disengagement theory by Cummings, Dean and McCaffery (1960) portrays retirees as having less interactions after leaving formal work environments and being more focused on family relations. The major disadvantage of this theory is that many individuals feel forced into leaving their work hence experiencing a sense of loss which makes it harder for them to adjust to post-retirement life.

The role theory by George Mead (1913), Ralph Linton (1936) argues that retirees experience role loss due to retirement. This “rolelessness” makes it difficult to adjust and live productively in retirement. Retirees by comparing the advantages they got from the roles they had makes their role loss ‘retirement’ an even bigger disadvantage.

The theory of continuity does not support the sudden change in a retiree’s life by stopping to work. Instead, the theory of continuity encourages structure and a good self-image for retirees through them doing what matters to them. Retirees gradually transition from formal work into retirement by practicing what they love, enjoy and is important to them. According to continuity theory, individuals mostly maintain the same behavior or lifestyle throughout time, with little to no change (Atchley, R.C., 1999).

Individuals no matter their age are said to ensure they maintain their internal and external continuity. Individuals internal (individual traits, thinking, activity profiles, living arrangements, social relationships, skills, attitudes, interests, personalities, ideas, self-concepts and abilities) traits are the same before and after retirement. These internal/external patterns therefore explain how different people adapt and cope with role loss and life changes such as retirement without stressful disruption. Individuals therefore carry forward how they think, feel and behave from one role to another.

Continuity theory critiques the disengagement theories in that it does not support the idea of individuals getting into a crisis after retirement. On the contrary, continuity theory explains that individuals find a way to effectively adapt to retirement. Continuity theory is best suited to explain that retirees remain engaged after retirement through establishing

businesses (micro and small enterprises). In retirement, individuals are likely to make choices based on parts of their lives that they actually enjoy and want to continue in. If individuals enjoyed their past careers, they are likely to engage in career related paid work (Gobeski and Beehr 2009; Wang 2007) in (Cooper. D. and Beehr. A., 2015). In continuity theory, whatever experiences and engagements retirees undertake in their communities they will maintain an internal and external continuity.

The older individuals grow, the more they will try to maintain the patterns they have created for their lives in terms of their social status and their image. Whatever a retiree values in continuity, they will ensure to establish it. Retirees' are expected to maintain their individual past patterns in establishing businesses (micro and small enterprises) after retirement. Career related post-retirement employment shows continuity in the form of maintaining an individual's past patterns. While non-career work engagements show continuity in that, the individual has still chosen to continue working after retirement. It can also be seen as an opportunity to reinvent oneself and one's image by pursuing new aspirations (Cooper. D. and Beehr. A., 2015).

## **2.2. Empirical literature**

### **2.2.1. Characteristics of retiree owned micro and small enterprises**

A retiree is a person who has retired from formal employment after attaining the stipulated retirement age (Kodia, K.J.G., 2014). In every country across the world, there is a statutory mandatory retirement age for older workers, which ranges from between 50 years to 65 years. A number of studies (UN, 1982; AU Policy Framework and Plan of Action on Ageing, 2002 & CoK, 2010) in literature commonly define "older persons" as persons aged sixty years and above. The age of sixty years also happens to be the statutory retirement age for several formal sector workers in Kenya. This age therefore marks the beginning of retirement in most cases but not all cases.

There is no universal agreement on how MSEs should be defined. According to Kinyanjui (1992), micro enterprises in Kenya are those businesses with ten or fewer workers. Small businesses in Kenya are those businesses with eleven to fifty workers. Some of the measures of sizes of MSEs are the total number of persons employed, total investments and sales turnover (Tambwe, 2015). In (Mollo, 2017) MSEs in Kenya are categorized into commerce/trade, service and manufacturing (KNBS 2016; Atandi and Wabwoba 2013).

The most common composition of activities in MSEs is that of vendors, small traders and small manufacturing activities.

The most significant manufacturing MSEs are, clothing made of fabrics or textiles, food and drinks, and wood and forestry products. MSEs are sometimes described by the term the informal sector (Kiiti and Hennink 2016 in Mollo, 2017). Gichuki *et al.*, (2014), notes that, despite most MSEs in Kenya operating informally, over 35 000 MSEs function formally and provide employment to more than 40 per cent of the workforce (Kenya Economic Report, 2013).

In the paper “*Dynamics of Micro and Small enterprises*” by (Mead, D.C., & Liedholm, C., 1998), a survey was carried out in developing countries (namely, Botswana, Kenya, Lesotho, Malawi, Dominican Republic, Zimbabwe and Swaziland) on the magnitude of MSEs. The findings indicated that there are many more MSEs than those recorded in most official statistics, which strictly covers registered firms. In five of the surveyed African countries, the total number of people estimated to be in MSEs surpasses those in registered large-scale enterprises and in the public sector.

Gichuki *et al.*, (2014) and (McPherson, 1996) have expressed the significance of MSEs to economic development. Countries like India, Malaysia, Japan, South Korea, Zambia and Kenya (2005) are examples that tapped into micro and cottage businesses as an engine of growth. MSEs have contributed to the GDP, job creation, encouraged indigenous entrepreneurship from local content and contributed to redistribution of growth among other economic benefits.

According to (Mead, D.C., & Liedholm, C., 1998), a majority of activities categorized as MSEs are very small in size usually with an individual working alone. Self-employment is therefore common in MSEs. The labor force in a majority of MSEs is working proprietors and their family members. In some countries, however wage labourers added up to 20% of the MSE workforce. A third of the labor force studied in Botswana and the Dominican Republic was made up of hired labour. Some locations in West Africa had a significant number of trainees and apprentices. Meanwhile the MSE labor force in Southern Africa just like many parts in the third world constituted under 10% of apprentices (Mead, D.C., & Liedholm, C., 1998).

In most countries, when it comes to gender, women own a majority of MSEs. Women are therefore the bigger number of workers in MSEs. Female-headed MSEs are concentrated in the service industry, agro-industry, manufacturing sectors, wholesaling and retailing. The specific activities of women include but are not limited to; art and craft work, casual labour, brewing beer, knitting and/or crocheting, dressmaking, and cane work. Most MSEs run by women are home-based or operate from the home (Chirwa, 2008).

### **2.2.2. Retirees post-retirement businesses**

Literature on entrepreneurship identifies financial and non-financial motives for retirees to venture into businesses. Financial motives include obtaining an income through profit maximization to sustain life after retirement. Non-financial motives are the need to remain independent, the need to remain active post-retirement, overcoming post-retirement boredom and engaging in business as a hobby to fulfil an interest or a passion. Some retirees establish businesses due to availability of capital, having business knowledge and experience or availability of a ready market (Namala, A., & Milanzi, A. M., 2020).

According to (Maina, L., & Kimani, E., 2020), most individuals in Kenya will retire from their careers and seek ways to be ‘engaged’ and productive through some form of employment be it self-employment or the informal sector. In a study of 978 retired respondents aged between 50-94 years, living in rural areas (all receiving pension): 12% were retired and re-employed in order to remain engaged or for economic need and the remaining 49% were self-employed, and only 39% were not participating in any economic activity. A different study of 193 retirees carried out in Kisumu city found that 74% of retirees ventured into trading or commercial activities, while 26% got into the service industry. It is clear that retirees no matter the challenges venture into businesses in retirement (Kodia, K.J.G., 2014).

According to the RBA *Pensioners survey* of (2019), carried out among 477 retirees in 40 counties across Kenya; retirees are likely to take part in a number of activities. These include but are not limited to agribusinesses (livestock or crops), real estate investment or property investment, purchasing land (for investment or speculation), purchase of tractor/truck or pick-up for business as well as other businesses (manufacturing/retail/service/consultancy) and taking up part-time jobs (Ouma, et al., 2019).

### **2.2.3. Retiree's pre-retirement expertise**

Retirees are likely to apply the expertise and knowledge they gained from working in the formal sector to meet the social needs of others. For example, through opening small private consultancy firms or teaching etcetera. A study done in Ireland titled "*Retirees from public service: the journey to small enterprise ownership*" gives this paper a great insight on retirees venturing into MSEs. According to the scholars of this study, the knowledge, tactic and experience gained before retirement helps retiree's ability to begin and grow their businesses. A direct connection between retirees' skills and their post-retirement enterprise is sometimes present. However, a good work ethic, technical and interpersonal skills, and tactic knowledge were generally found to be the most significant on a retiree's entrepreneurial journey. Existing social networks and contacts created from their former work places is an added advantage for retirees (Stephens & Hegarty, 2021).

A good number of retirees' venture into small businesses mostly in the informal sector but at times in the formal sector. In agriculture; dairy farming, poultry keeping and selling fruits. In manufacturing; furniture and textiles. Retirees with expertise practice accountancy, medical services and legal services (Oketch, 1995; Kibera, 1996; in Shiamwama et al., 2014)

### **2.2.4. Retiree's financial resources**

According to (Singh, G., & DeNoble, A., 2003), the most studied predictor for older persons to participate in the labor market in later life is personal wealth. The mentioned sources of personal wealth are savings, inheritance, or a public or a private pension. (Stephens & Hegarty, 2021) Argue that older persons are most likely to be financially equipped and they are also at an opportune time to become entrepreneurs. The argument is that retiree's lump sum is a potential means of startup capital for a small enterprise.

A study carried out among 90 retired civil servants in Dar es Salaam, Tanzania gives more insight on sources of capital for retiree owned businesses. A majority (54%) of the businesses were started using a pension lump sum after retirement. The following 22% were established from savings, 19% from loans from financial and non-financial institutions. Finally, a minority of 6% relied on contributions from family members as startup capital for their businesses. According to the study, a good number of retired public

servants were not able to start businesses before their retirement because they lacked starting capital (Namala, A., & Milanzi, A. M., 2020).

According to the Retirement Benefits Authority '*Pensioner Survey*', retirees in Kenya receive income from retirement benefits, savings or investment income. Retirement benefits seem to be the most significant source of income for retirees. Investment income is likely from; businesses, real estate investments, purchased land (for speculation/investment), interest earning deposits in banks, farming (livestock/agricultural) and shares (bonds). Savings take many forms including savings and credit cooperative societies (SACCOs) or buying insurance policies (Ouma, et al., 2019). Retirement benefits/pension for retirees in Kenya are likely to emanate from different retirement schemes. The most common are the civil service pension scheme, the National Social Security Fund, privately managed occupational retirement schemes, and individual retirement schemes. The mode of payment of benefits varies depending on scheme. In a provident fund, the member is paid all benefits as a one-off lump sum. Pension schemes pay their members a third of their benefits in lump sum and then distribute the rest in monthly payouts, annuity or income drawdown (RBA *pensioners survey* 2019 & Kamau, et.al. 2019).

Up until 1<sup>st</sup> January 2021, the public service pension scheme was a statutory non-funded scheme that draws its framework from an Act of parliament. The public service pension scheme is exempted from the Retirement Benefits Authority rules and it is meant for all public service employees (civil servants, teachers, disciplined forces and a separate scheme for armed forces). An Act of Parliament established the NSSF, which is a social protection scheme. The NSSF is funded on a contributory basis and it largely covers formal workers despite it being open to informal sector workers as well (Raichura, 2008).

Individual pension plans are private funded schemes that are established under trust by individuals on a voluntary basis. Individuals make contributions on their behalf to save for retirement. Individual pension schemes are administered by insurance companies and regulated by the Retirement Benefits Authority. Finally, in occupational schemes, employers contribute on behalf of their employees for the provision of retirement benefits. In most cases of occupational schemes, employers and employees make contributions together.

Occupational schemes are established under trust and they are open to formal sector workers in companies that operate retirement schemes. Employers must comply with retirement benefits legislation and rules being that the retirement benefits authority regulates occupational schemes. It is compulsory for all employers in Kenya to provide their employees with a retirement scheme. The main national scheme is the National Social Security Fund (Maina, L., & Mwangi, S., 2018); (Kodia, K.J.G., 2014).

### **2.2.5. Challenges of retiree owned MSEs**

In order to promote the creation of new businesses, there is a need to address the reasons that make it challenging for proprietors to start and run businesses (Mead, D.C., & Liedholm, C., 1998). A good number of retirees owned businesses are not significantly affected by external environmental factors such as the regulatory framework. Most challenges retiree owned MSEs face are internal to the business or the owners. Below are some of the most common challenges attributed to the failure of some MSEs as identified during the literature review.

Limited managerial training and experience exhibited by poor record keeping, poor inventory control and poor supervision. An inability to make an entrepreneurial transition in mindset, which is shown by an inadequate innovative capacity, uncontrolled growth and a lack of strategic planning. Inadequate business knowledge/experience/education or skills evidenced by a lack of income diversity or overreliance on business and poor financial control. Finally, other challenges facing MSEs are the rapidly advancing technology, poor infrastructure, limited market information, not accessing credit and the location of a business (Namala and Milanzi, 2020; Kibera, 1996 in Shiamwama et al., 2014; The International Finance Corporation (IFC), 2011).

According to McCormick and Pedersen (1996), people who have had some experience from a previous entrepreneurial activity or occupation are more likely to be successful. Entrepreneurs who lacked previous experience from previous occupations began relatively small ventures and these ventures remained in the smallest categories. Entrepreneurs that were found to be running the largest enterprises were mostly those with previous experiences in manufacturing or retail trade. Highly educated and experienced persons are expected to have a higher degree of success in economic activities (Chirwa, 2008).

This study recognizes that all retirees retire with expertise from their previous occupations, which can benefit the enterprises they choose to run in their retirement lives.

### **2.2.6. Performance of micro and small enterprises**

Performance measures of MSEs are multidimensional, measuring business performance is very controversial. Different scholars use different performance measures depending on their objectives. According to McCormick (1993), quite a number of MSEs are increasing in numbers as opposed to growing in size. A majority of enterprises expand by adding more of the same ventures or by shifting to unrelated activities (Ng'ang'a, 2003; Pedersen, 1998 in Mbugua *et al.*, 2013). Performance of MSEs is important for individuals and the economy. A good number of MSEs are run by a single proprietor. One-person enterprises bring about the lowest profits. The smallest increase in size of MSEs increases economic efficiency which in turn increases income levels of workers (Mead, D.C., & Liedholm, C., 1998).

The performance of MSEs is dependent on the special characteristics of the individual business owner or entrepreneur (Babajide, 2012). An entrepreneur should have a strong initiative, drive and determination, and he/she should be willing to make calculated risks (Tambwe, 2015). An entrepreneur's personal attitudes or attributes and abilities will affect the growth and productivity of their firm. An entrepreneur who establishes good human relations with their customers is able to identify and meet their customers' specific need and thereby growing their customer base and increasing their sales (Shiamwama *et al.*, 2014).

The individual's willingness to grow a business is yet another factor that affects the growth of MSEs. Small business owners are empirically proven to have a reluctance to grow their businesses despite opportunities for profit. An entrepreneur on the other hand is by default committed to the growth of their business due to their need for achievement (Masurel and Montfort, 2006 ; Kolvereid and Bullvag 1996 ; Smilor,1997 ; Carland et al.,1984 in (Babajide, 2012).

An enterprises profitability is affected by its location. According to (McPherson, 1996), the growth rates of firms located in rural areas is lower than the growth rate of those located in urban areas. MSEs located in highly commercialized areas grow faster than those based at a person's home. Firms that are located closer to their competition have an effect to their



profitability. When several firms are concentrated in the same area, they are able to build unique supplier and buyer relationships among themselves. A good advantage for such firms located in urban areas is that they are able to specialize production and therefore produce at a lower cost than usual. Firms can therefore expand more easily. Another issue with location is that the location of firms brings about differences in payments of rent (Sonobe and Otsuka, 2006 in (Mano, Iddrisu, Yoshino, & Sonobe, 2011).

The gender of the proprietor affects the growth of an enterprise. Female-headed enterprises are less likely to grow than male-headed enterprises. According to literature, female-generated funds are spent in taking care of their household's basic needs, which makes it difficult for female entrepreneurs to take the risks, required for growth and expansion of enterprises (Ongoncho, 2019).

Scholars argue that a proprietor's level of education, experience, and previous self-employment affects the performance of their enterprise (Douglass 1967; Leighton 1989; in McPherson 1996). Different sectors have different levels of growth depending on the countries in which the businesses are run. Products demand and costs vary from one sector to another. McPherson (1996) argues that a labour-based measure for the performance of MSEs is much better than growth in sales and profits. Most proprietors are not able to provide proper records of their sales and profits. The growth in the number of workers or employees is mostly highly correlated to the growth in sales (McPherson, 1996).

### **2.3. Summary of the literature review**

A good number of retirees prefer to remain active and engaged even after retirement. The theory of continuity proves that life does not end after retirement. Instead, retirees establish a form of continuity of who they were and what they did pre-retirement to their post-retirement lives. According to the continuity theory, retirees take part in activities that they place the most value in for a healthy daily life structure. Retirees are very likely to form a continuity through some type of involvement or some form of work. This study is looking at retirees' continuity through establishing micro and small enterprises post-retirement.

This study is on the effect of retiree financial resources on the performance of micro and small enterprises in Murang'a Township. Retirees have expertise from their previous work places as well as the financial resources required to start a business. The type of business a retiree is likely to start is a personal choice. The performance of a retiree's business is

synonymous with the success and/or growth of a retiree's business. Performance measures can either be financial or non-financial depending on choice. However, a researcher's measurement of performance is not necessarily the business owner's measure of performance.

Finally, the individual proprietor's characteristics such as gender, age and level of education are important considerations when looking at performance of MSEs.

#### **2.4. Conceptual framework**

The conceptual framework consists of a compilation of different variables seen in the course of this study. The conceptual framework visualizes the different variables and how each variable relates to the others. The dependent variable in this study is performance of micro and small enterprises while the independent variable is retirees' financial resources. The aim is to get the effect of retiree financial resources on the performance of micro and small enterprises.

As priorly discussed, the study uses the continuity theory to explain that retirees establish a continuity in their lives by working after retirement through micro and small enterprises whether these enterprises are related to their former jobs or not. Retiree financial resources are the finances a retiree uses to start a business, in other words their starting capital. This study uses the most common financial resources according to (Namala & Milanzi, 2020). Retirees' financial resources in the Kenyan context are likely to be from public pension schemes, privately managed retirement schemes, personal savings and investment income and other sources which may vary from loans etcetera.

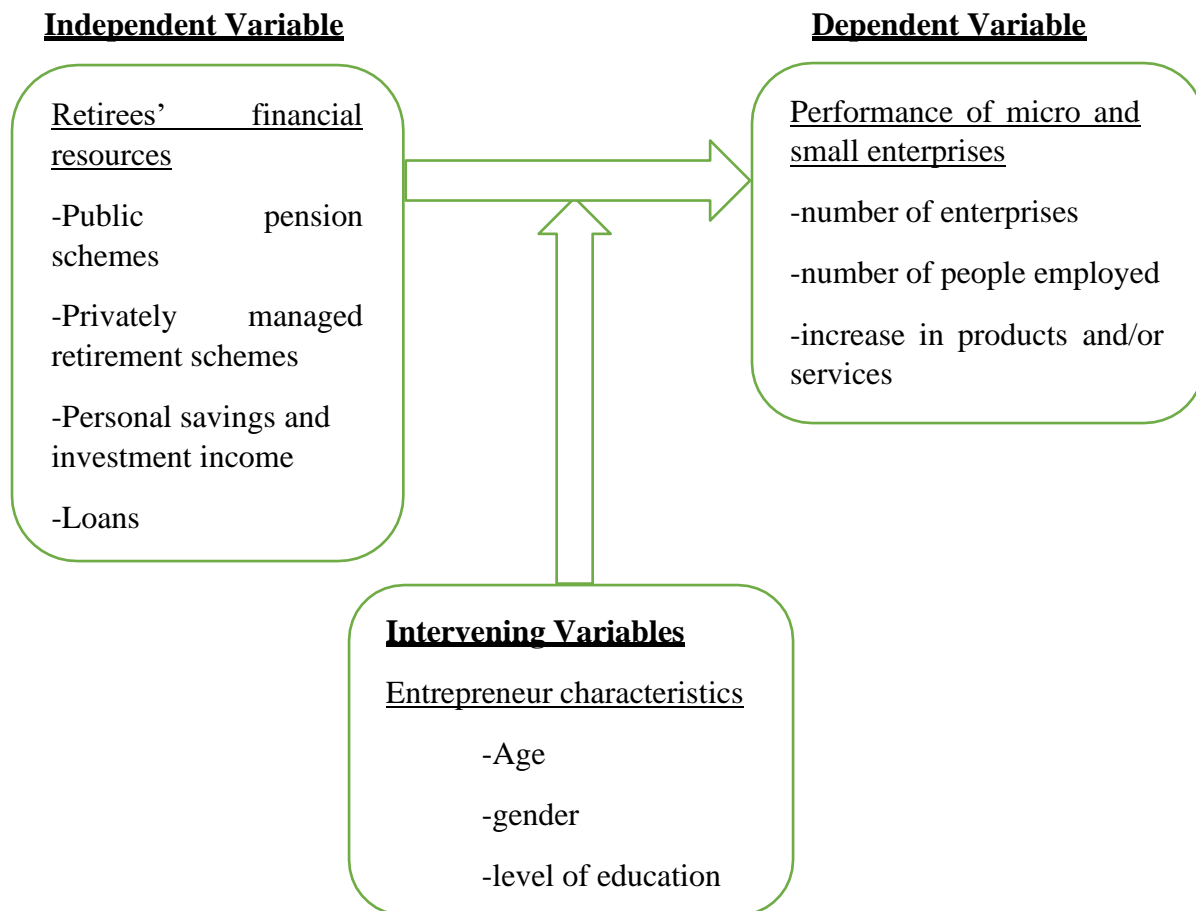
Performance of micro and small enterprises is measured using uncommon measures. As discussed in the previous chapter, most business owners either do not keep proper records of their sales and profits or they do not wish to disclose their records due to tax issues. It is for these reasons that this study has employed the uncommon measures of performance.

According to literature, performance, growth and success are synonymously used to measure firm performance. This is simply because with growth of a business, there is more employment and an increase in products and services (Ongoncho, 2019). As we have discussed earlier (McCormick, 1993) most MSEs increase in number as opposed to increasing in size. There is no empirical evidence that puts financial measures of performance above non-financial measures of performance. In fact, there even exists

hybrid measures of performance (Ongoncho, 2019). This study has therefore used number of enterprises or branches, number of employees and increase in products and services as a proxy measure of performance.

The intervening variables are age, gender and level of education. As priorly discussed, (Tambwe, 2015; Babajide, 2012; Mccormick & Pedersen, 1996) argues that a businesses' performance can be affected by the individual owners characteristics including but not limited to age, gender and level of education.

**Diagram 2.1 Conceptual framework**



*Source: Author's conceptualization*

## **CHAPTER THREE**

### **3.0. RESEARCH METHODOLOGY**

#### **3.1. Research design**

The study has employed a descriptive cross-sectional design. The study takes a cross-sectional study design because it was done at a point in time. A descriptive study approach was applied in this study; to give an orderly, concise description of the characteristics of retirees and for the association between variables or phenomenon (McCombes, 2020 & Kothari, 2003). The descriptive design is helpful for this study because life after retirement and retirees' experiences after retirement are not adequately researched. In addition, qualitative and quantitative data was collected via semi-structured questionnaires that were issued to the target population generating primary data. Secondary data from the Retirements Benefits Authority was also employed in this study to complement primary data.

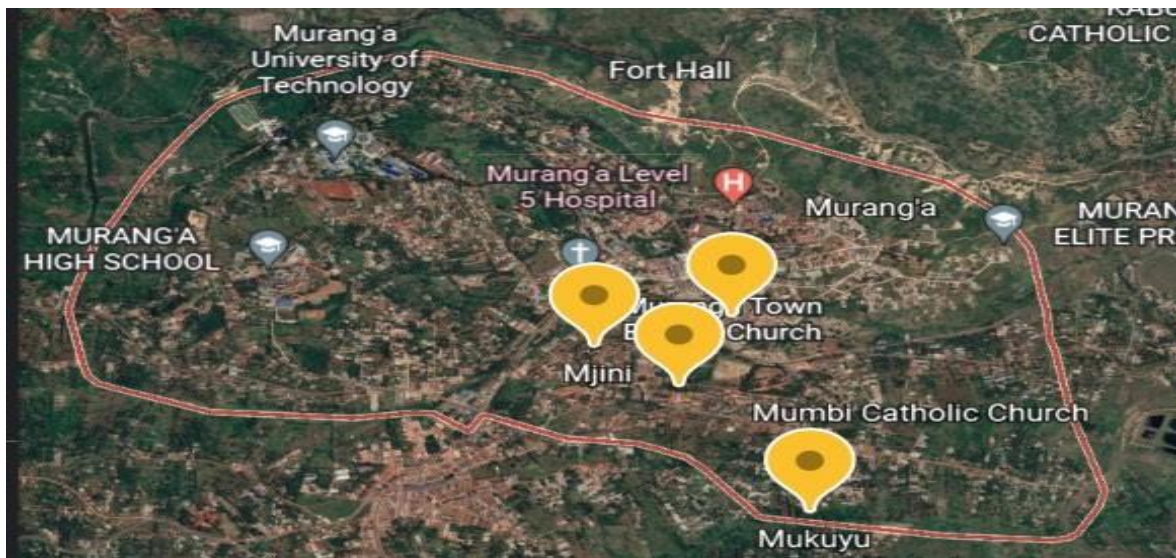
#### **3.2. Study Site description**

Murang'a township ward is located in Murang'a East Sub-county and is located in Murang'a County, which is one of the 47 counties in Kenya created by way of the Kenya Constitution (2010). The population in Murang'a East Sub-county adds up to 110,311 (KNBS, 2019). Murang'a township consists of four areas namely Murang'a town, Mukuyu, Mumbi and Mjini. Murang'a township ward is the central business district bringing people together from all other wards in Murang'a County. The largest ethnic group here is the Gikuyu.

Murang'a town is the largest town and the capital of Murang'a County. The transport network available in Murang'a town is relatively adequate for commerce. In addition, Murang'a town boasts a good number of learning institutions including but not limited to; Murang'a University of Technology (MUT) (public university), Kenya Medical Training College (KMTTC) and Murang'a Institute of Science and Management Studies among others. As a commercial center, Murang'a town has a number of economic activities going for it. The major economic activities include businesses in service industry and agriculture. Mukuyu is considered a sister town to Murang'a town. Despite there being several businesses in Mukuyu, the place is famously known for its booming agricultural produce market. Mumbi and Mjini are a little laid back economically with quite a few businesses.

Murang'a Township is conveniently selected as a study site informed by the following reasons which when put together bring a proper balance. First, the Pensioner Survey of 2019 by the Retirement Benefits Authority mainly focused on the metropolitan counties in Kenya, thus by default ignoring counties located in interiors/reserves. This study can be an instrumental guide to future researchers who seek to carry out research in counties with a similar socio-economic-political architecture. This study is also of its kind as it focuses on two areas that are not adequately researched: retirees' businesses/working after retirement and interior located counties. Thirdly, the residents of the county are well known for their business-oriented lifestyle mainly in the tea and coffee cash crop sector and most recently, increasingly in the food crops such as arrow roots, bananas, beans, maize, and sweet potatoes.

**Figure 3.1 Location Map showing the study area which is Murang'a Township**



*Source:* <https://earth.google.com>

### **3.3. Study Population and Sampling Methods/Procedures**

According to Bhat (2019), sampling is a selective exercise purposely done to generate a few representations of the larger population to help in statistical inferences, conclusions and likely establish an estimate of characteristics of the entire population. This study employed the use of purposive sampling design. Purposive sampling is favored due to the failure to obtain a consolidated list of retirees owning MSEs in Murang'a town. On matters of a comprehensive sampling frame, this was a major challenge. Neither the County government offices nor the Municipal offices had any specific records of retirees' running

micro & small enterprises in Murang’a Township. The study therefore had to rely on non-random/non-probability sampling and specifically snowballing/nominated sampling. Snowballing was used to identify and select respondents. The sample of the initial participant was conveniently selected as the starting point of the snowballing. Once the first respondent was identified, they were asked to refer another person whom they knew & fit the criteria given (a retiree who owns a business) who may like to participate in the study. This method proved to yield results though not without its own challenges. The main challenge being building enough trust in order for the respondents to feel safe to refer more people they knew. The study used a sample size of 60 respondents drawn from the multiple varieties of businesses in Murang’a Township. A natural or permanent physical feature such as a church, mosque, school or otherwise were identified to act as a starting point for snowballing.

The individual retiree-owned micro and small enterprises being the unit of analysis in this study and enterprise owners (retirees) being the respondents. There was no bias on which categories of retiree owned MSEs in Murang’a Township to target. All that qualified were liable for selection.

### 3.3.1. Key Informant Interviews

The five key informants were identified in the process of reviewing literature based on the unique knowledge they have. The method of contacting them varied from sending emails, to physically booking appointments and finally arranging a face-to-face meeting date and meeting.

**Table 3.1 Key Informants**

KEY INFORMANT	VALUE TO STUDY
Murang’a Township Municipality Administrator	The scope of MSEs in Murang’a Township
Senior Deputy Director of Pensions –The National Treasury	Information on public pension benefits
Micro and Small Enterprise Authority (MSEA) - Enterprise Development	Involvement of retirees MSEs if any in MSEA and how it has affected performance if at all

Officer/Manufacturing and Agribusiness Officer	
Retirement Benefits Authority – Senior Research Officer	Information on privately managed retirement schemes
An Academic Research Fellow	Their knowledge on retirement

*Source: Field Survey Data 2022*

The responses from the key informant interviews were useful in elaborating and backing up the data analyzed in the following chapter.

### **3.4. Data sources and collection process/methods**

A pilot study was undertaken before the main data collection process. This step was necessary in order to test the data collection tools and methods. A total of six retiree’s (three female and three male) owning MSEs in Murang’a Township were interviewed in order to test the semi-structured questionnaire (Appendix-1). One key informant (the RBA manager for research and strategy) was interviewed to test the key informant guide tool (Appendix-2). The data collection process lasted from the 30<sup>th</sup> of March 2022 up until the 15<sup>th</sup> of May 2022.

This study used a combination of aspects of both the qualitative and quantitative data collection methods. The qualitative data gave elaborative written descriptions of people’s experiences which cannot be put as numbers, and the quantitative data proved helpful in providing the influence of one variable to another.

For the primary data, the researcher made use of purposefully selected Key Informants with a good knowledge of retirees and micro and small enterprises. A key informant interview guide was used to collect only relevant information (Appendix -2). A total of 5 key informants were interviewed. The KIIs were held face to face.

Semi-structured interview-administered questionnaires with a good balance of open-ended questions were used to interview individual respondents (Appendix-1). The open-ended questions provided the respondents true ‘voice’ in the research. Questionnaires were instrumental to primary data collection as they gave a flexible space to reap diverse information from the respondents. Questionnaire interviews were delivered face to face to each of the 50 retirees who own businesses across Murang’a Township.

Secondary data sources were informed by the adequate literature review which had been undertaken. Literature had been obtained from scholarly works such as follows: Peer reviewed electronic journals or journal articles, books & chapters in books, academic reports and working papers as well as relevant published articles on the World Wide Web.

### **3.5. Data Management and Analysis**

Data analysis is the process of collecting, cleaning, modelling, inspecting and analyzing data to extract important information that informs conclusions and further decision-making (Kothari, 2004).

Secondary data sources used were relevant and from the literature review. The primary data collected was first cleaned and ensured to be accurate. The structured parts of the semi-structured questionnaire (Appendix-1) provided quantitative data which was directly analyzed in SPSS. The results were generated frequencies, percentages and cross-tabulations as presented in the next chapter. Qualitative data from the semi-structured questionnaire (Appendix-1) went through content analysis, and then the themes that emerged were coded and later analyzed in SPSS 22.0. Results were descriptively presented in tables, bar and pie charts.

The information gathered from Key Informant Interviews (Appendix-2) and the unstructured parts of the semi-structured interviews (Appendix-1) was used for elaboration and back up of the other information analyzed. It helped to really bring out the true ‘voices’ of respondents. Their presentation was narrative in nature, with rich descriptions of behavior and the context in which it occurs.

### **3.6. Ethical considerations**

Before commencement of the research, all the required permissions and clearances were obtained from the relevant authorities. An introductory letter was obtained from the university which was then used to apply for a research permit from NACOSTI. The research permit from NACOSTI was then presented to the Murang’a County government offices with a letter explaining the research intentions. The County Secretary then wrote a letter to the Murang’a municipality which was presented for signing by the municipal manager. Mugenda & Mugenda (2003) suggest that, “*researchers should be full of integrity in order to ensure positive benefits from their research*”. The researcher did not misuse her privileges nor abuse the trust of the respondents. The respondents’ information



was kept confidential, and the respondents remain anonymous. Before any interviews were conducted, the researcher ensured voluntary and informed consent from the respondents. The purpose of the study was well explained to the respondents so that they were completely aware. There was even some room left for the respondents to ask questions where they did not understand or if they needed any clarification.

### **3.7. Observing COVID -19 regulations for safety**

Throughout the period of data collection, masks were worn at all times and a distance of 1.5 meters was maintained where possible. Sanitizing was a must for both the interviewer and the respondents and therefore the interviewer carried a sanitizer at all times. This was especially because the age groups of the respondents fell under those at a high risk of contracting the virus.

### **3.8. The data needs table**

The data needs table was a guide on the types of data needed, the sources of data and the instruments needed to collect such data.

The General Research Question was, what is the effect of retiree's financial resources on the performance of retiree owned MSES in Murang'a Township?

**Table 3.2 Data Needs Table**

<b>DATA NEEDS TABLE</b>				
<b>Research Question</b>	<b>Data Needs</b>	<b>Types of Data</b>	<b>Sources of Data</b>	<b>Instruments</b>
1. What are the characteristics of retiree-owned MSEs in Murang'a township?	Age of owner	Qualitative and Quantitative	Individual Respondents	Semi-Structured interview administered questionnaire
	Gender of owner			
	Level of education			
	Age of business			
	Reason for starting business			
2. What is the relationship between retirees' financial resources and the performance of their post-retirement businesses in Murang'a township?	Source of enterprise starting capital or retiree financial resources	Qualitative and Quantitative	Respondents	Semi-structured questionnaire
	Source of working capital or day to day running of the business			
	Number of employees in enterprise			
	Number of enterprises/branches			
	Increase in products/services			
3. What are the challenges of retiree owned MSEs in Murang'a township?	Success and challenges	Qualitative	Respondent	Semi-structured questionnaire
			Key Informants	Interview guides

*Source: Researcher, 2022*

## CHAPTER FOUR

### 4.0. FINDINGS AND DISCUSSIONS

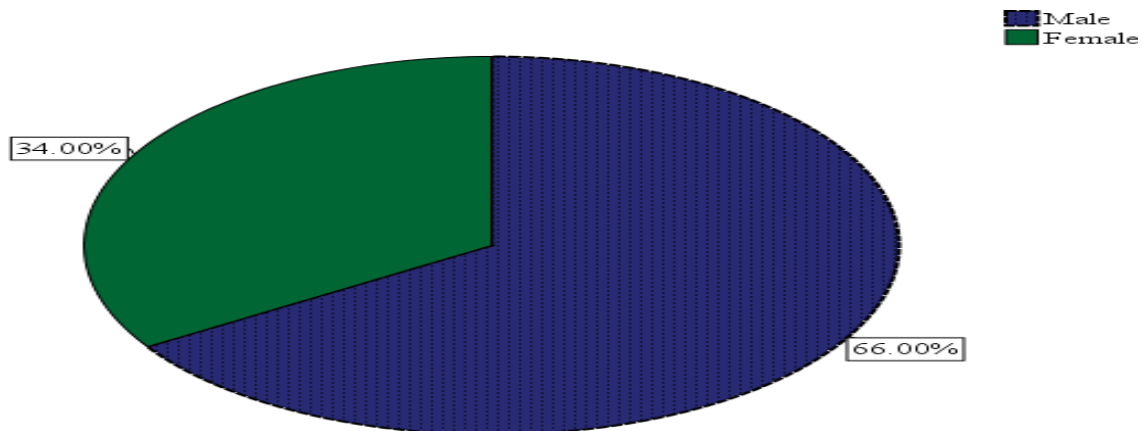
This study was on The Effect of Retiree Financial Resources on the Performance of Micro and Small Enterprises in Murang'a Township. During the field survey, a total of 50 retiree-owned MSEs were successfully interviewed. This chapter methodically presents the findings and discussions of the research based on the research objectives.

#### 4.1. General characteristics of retiree-owned MSEs in Murang'a Township

##### 4.1.1. Gender of retirees

The study established that there were more male-owned micro and small enterprises than female-owned MSEs. The results presented in Chart 4.1 below show that out of the total of 50 retiree owned businesses, 66% (33) were owned by males while 34% (17) were female-owned. Ongoncho (2019) argues that women are mostly tied up with home making and caregiving roles hence their minimal representation in MSEs sector. The expected outcome in terms of performance of MSEs is lesser employment growth associated with female owned businesses as seen in some Southern African countries in comparison to male-owned ones (Mcpherson 1996). Chirwa (2008) however argues that this is not always the case in female verses male-owned businesses. In Murang'a Township, the female-owned businesses were mostly offering completely different services compared to the male owned ones. In some other cases, the businesses were co-owned by married couples. It is important to put into consideration that a good number of businesses hired employees whether they were male or female-owned.

**Chart 4.1 Gender distribution of retiree's**

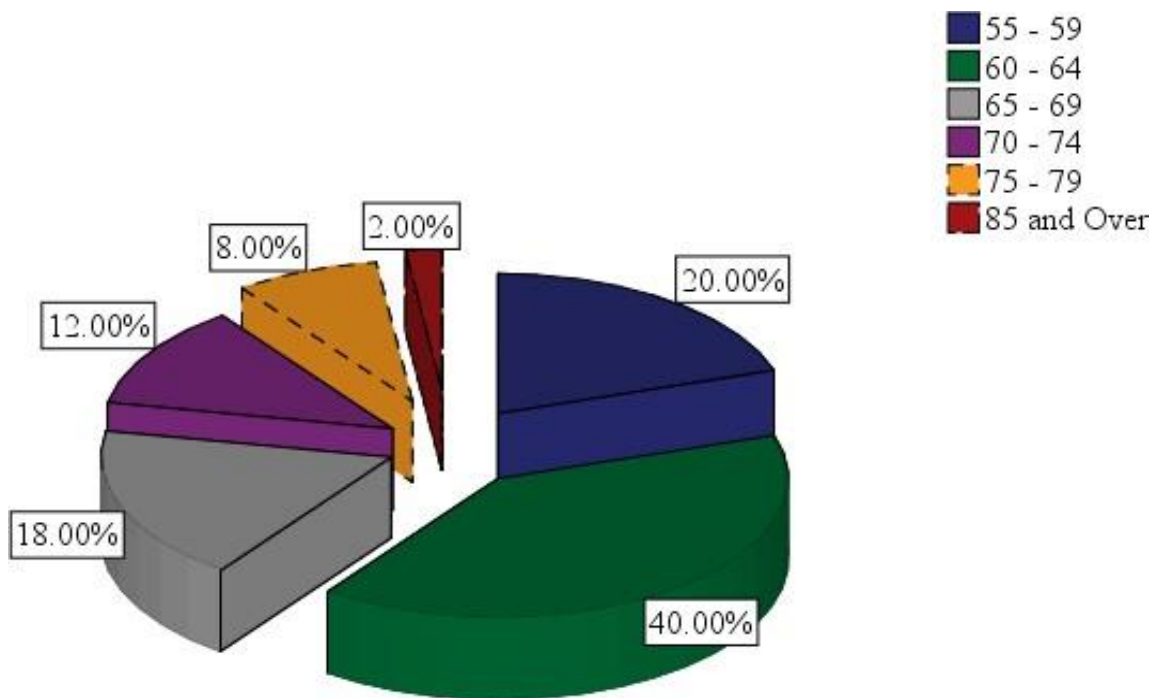


*Source: Field Survey Data 2022*

#### 4.1.2. Age-groups of retirees owning MSEs

When it comes to the age-groups of retirees owning MSEs. A majority of retiree's owning MSEs are between 60-64 at 40% followed by 55-59 at 20% and then 65-69 at 18%. Considering the life expectancy in Kenya has been placed at 66.70 years rounded up to 67years (World Bank 2019), it is interesting to note the ages of retirees running businesses in their later years. Retiree's aged 70-74 were at 12%, followed by 75-79 at 8% and finally a retiree aged 85 years at 2%. This trend is proof of the continuity theory in that even after retirement people continue to practice what is valuable to them.

**Chart 4.2 Age-groups of retirees**

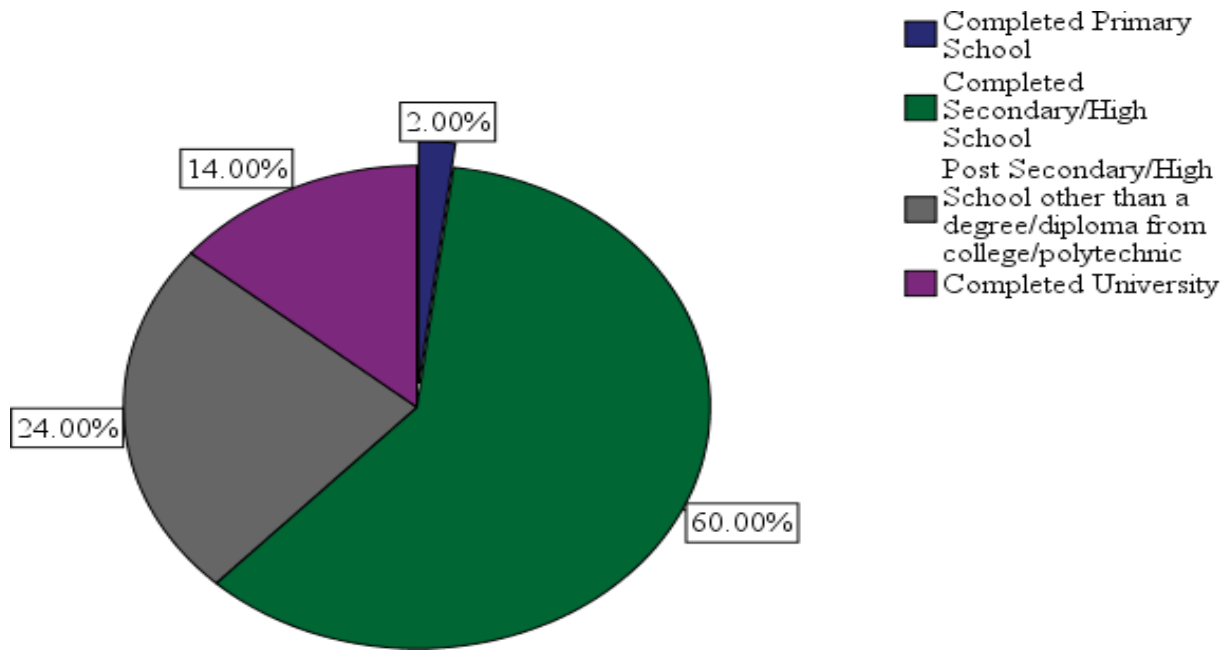


*Source: Field Survey Data, 2022*

#### 4.1.3. The highest levels of education attained by retirees owning MSEs

The majority of retirees at 60% had completed secondary school. The group that followed with 24% had obtained post-secondary qualifications other than university, which is either a degree or diploma from a college or polytechnic. The group that followed at 14% had completed university and the final group at 2% had completed primary school.

**Chart 4.3 Level of education of retiree’s**



*Source: Field Survey Data, 2022*

#### **4.1.4. The type of businesses owned by retirees**

The sampled retirees from Murang’a Township own a wide variety of businesses. The most common business is retail stores at 40%.

**Table 4.1 Types of businesses owned by retirees’**

<b>TYPE OF BUSINESS</b>	<b>N=50</b>	<b>PERCENTAGE</b>
Retail stores	20	40
Grooming and beauty	4	8
Clinical Services and medicine	5	10
Procurement & Insurance services	2	4
Savings & Credit services	1	2
Transport services	2	4
Hospitality & Hotel services	5	10
Agribusiness & value addition	11	22
<b>TOTAL</b>	<b>50</b>	<b>100</b>

*Source: Field Survey Data, 2022*

#### 4.1.5. Age of retirees' business

The study found out that a majority of the retirees' businesses at 44% were aged between 1-10 years, followed by 11-20 years at 22%. It is quite interesting to note that very few businesses at a minority of 8% were below one year. Another interesting discovery in this study is that there are businesses between 21-30 years at 16% and others more than 30 years at 10%. This interesting phenomenon is due to the fact that a significant number of retirees began their businesses while they were still employed and not after retirement. After retirement these retirees came to continue what they had already started. It is however reasonable to note that, there are still retirees' who began their businesses after retirement. The study took note of the fact that some retirees tried different businesses and failed until they finally settled into the one, they currently run.

**Table 4.2 Age of retirees' businesses**

<b>Age of business</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Over 30 years	5	10
21-30 years	8	16
11-20 years	11	22
1-10 years	22	44
Below one year	4	8
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field Survey Data (2022)*

#### 4.1.5. Retirees' main reason for starting their business

The most common reason for starting a business among the sampled retiree's in Murang'a Township was for income purposes at 66%. This implies that even in retirement, a good number of retiree's find it necessary to earn some income. The following group at 22% chose to start a business in order to keep themselves busy or engaged. It is important to note that this motive was especially common among retiree's who were 70 years and above. A minority of retirees at 8% chose to start a business because it was in an area, they were talented in and it was more of a hobby to them.

**Table 4.3 Motives for the retiree to start their business**

<b>MOTIVE</b>	<b>BEHIND</b>	<b>N=50</b>	<b>PERCENTAGE</b>
Hobby/talent		4	8
To keep busy/engaged		11	22
Income purposes		33	66
Others		2	4
<b>TOTAL</b>		<b>50</b>	<b>100</b>

*Source: Field Survey Data, (2022)*

As seen in the above table there was 4% of retirees who had unique reasons for starting their businesses. These reasons are better put in their own words:

*“My motivation for starting this business is to serve my community. I am currently 85 years old, and I have all my affairs in order. In fact, my wife and children keep asking me to close down my business and go home to rest. I love being a blessing and I will keep serving for as long as I possibly can.”* (Respondent 18, semi-structured questionnaire)

*“Self-employment is the only true freedom. I get to choose how I spend my time without anyone dictating terms to me. I started this business to take back my freedom”.* (Respondent 22, semi-structured questionnaire)

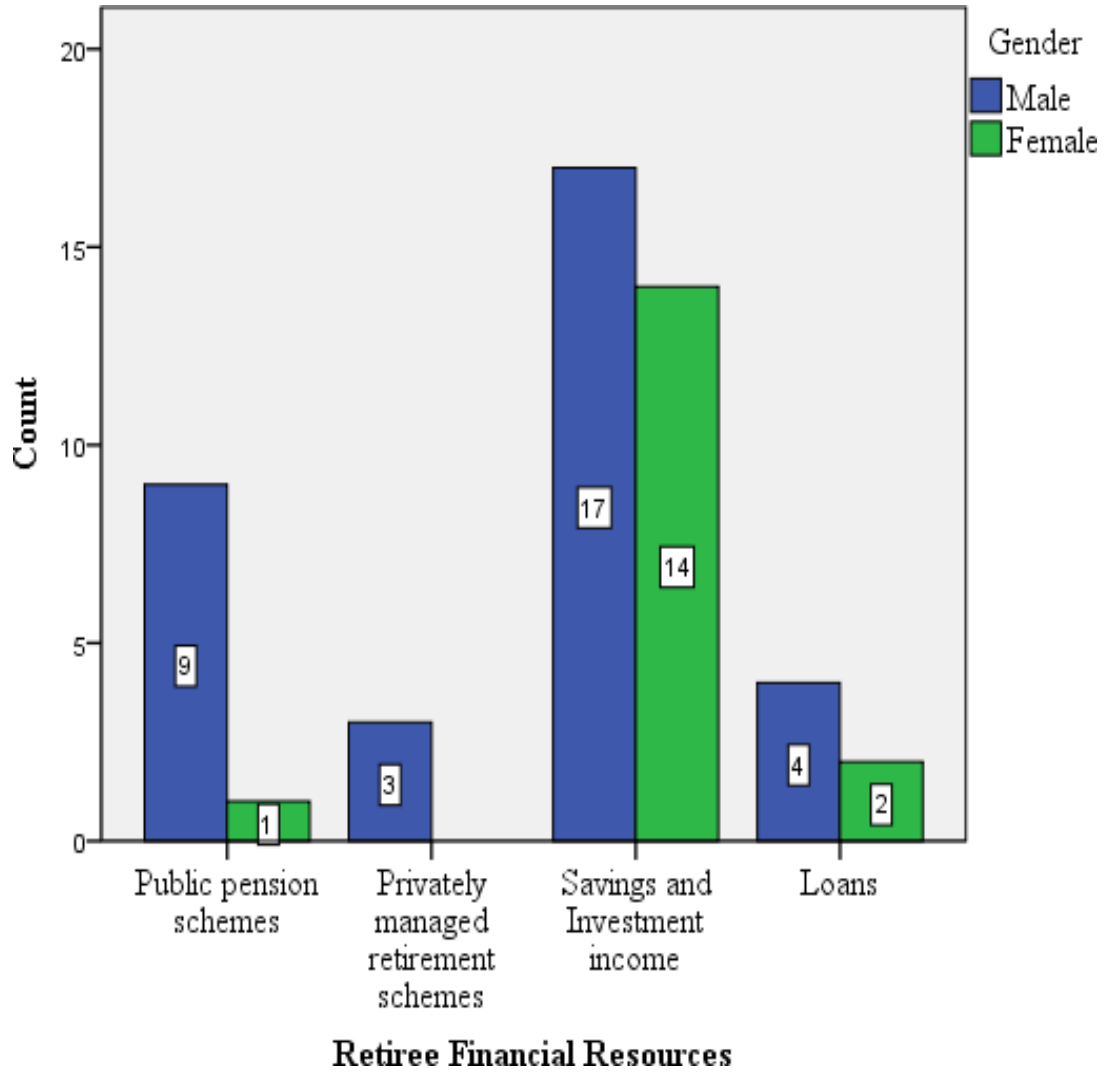
The study notes that some of the retirees had more than one motive for starting a business, even if one motive outweighed the other. It is therefore common for retirees to start a business in line with their skill set or passion even if they end up making money out of it. That overlapping of motives just signifies the multifaceted and comprehensive nature in which one may function.

#### **4.1.6. Main source of start-up capital**

As portrayed in the chart below, the main source of capital for starting a business for a majority of retiree’s was savings and investment income. As signified by the tallest bars below, the blue bar at 34% males and the green bar at 28% female both used savings and investment income. This unique dynamic is perhaps because a good number of retirees began their businesses while still under their respective employments. Those retiree’s that

used public pensions fall at 18% male and 2% female. Privately managed pensions were only used by 6% males and finally loans were used by 8% males and 4% females.

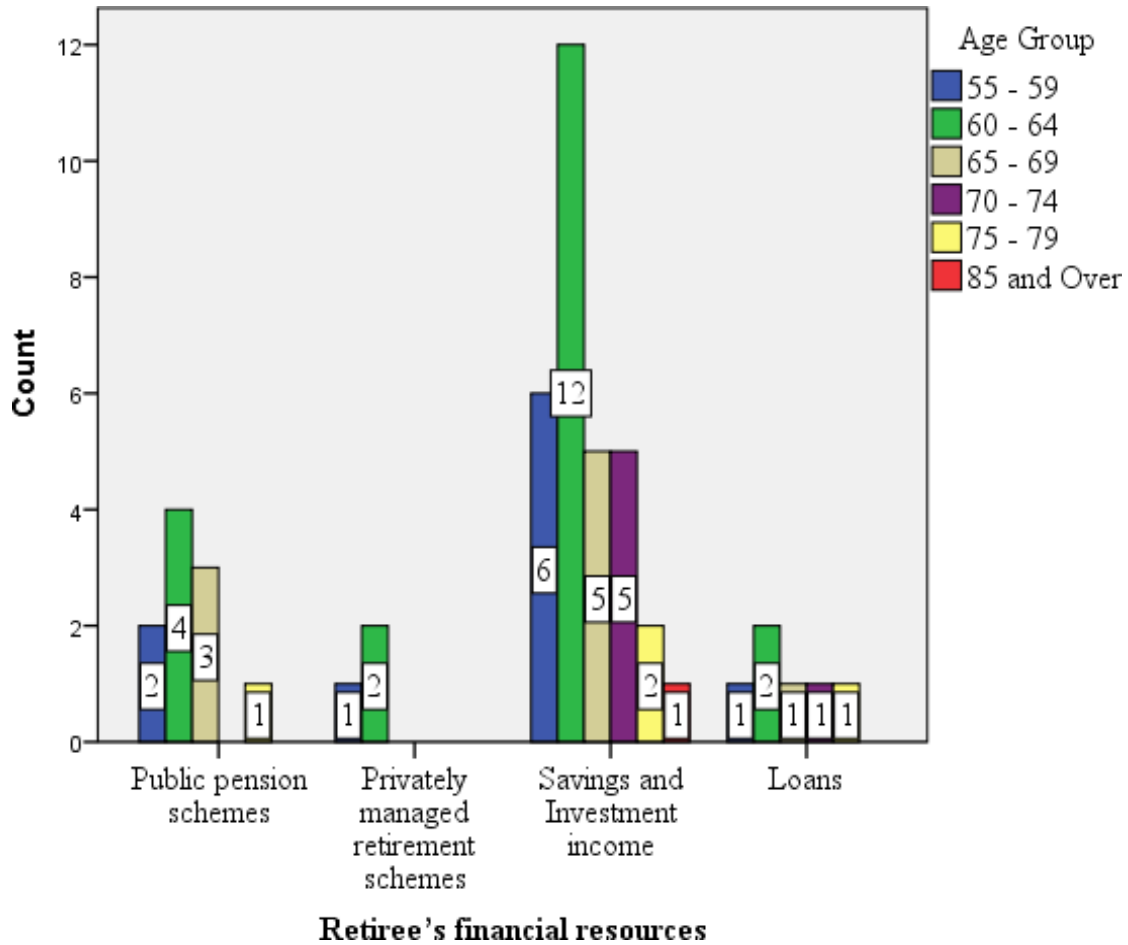
**Chart 4.4 Retiree’s financial resources by gender**



*Source: Field Survey Data, 2022*



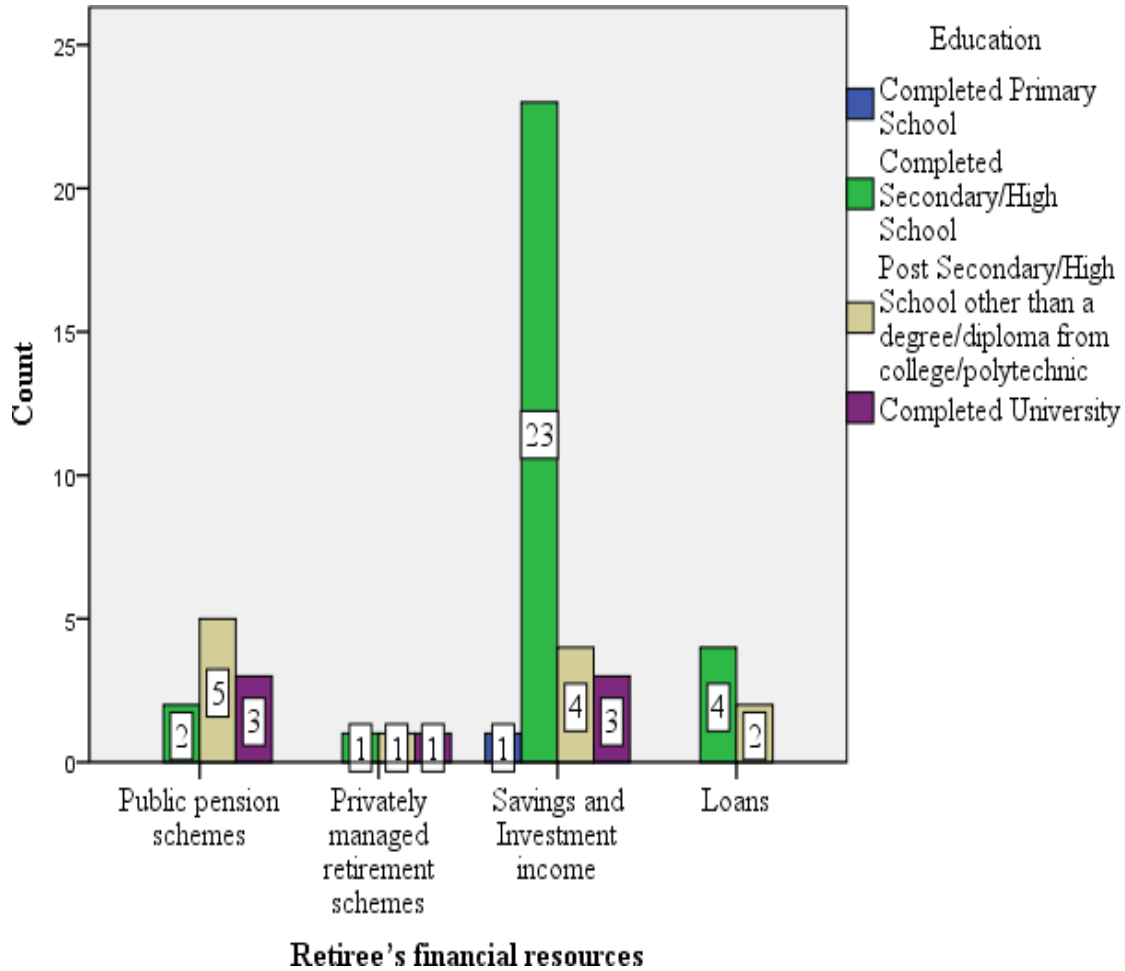
**Chart 4.5 Retiree’s financial resources by age-group**



*Source: Field Survey Data, 2022*

The main source of start-up capital remains to be savings and investment income. In this cross tabulation between financial resources and age-group; the study notes the spread of the different age-groups on different financial resources. Savings and investment income is the most inclusive financial resource having been used across all age groups in order to start a business. This study was very inclusive in that it did not discriminate against any retiree, whether they took early retirement or normal age retirement. This inclusiveness may be part of the reason this dynamic is observed.

**Chart 4.6 Retiree’s financial resources by highest level of education**



**Source: Field Survey Data, 2022**

The largest group of retirees completed secondary school. The study noted an interesting phenomenon where, as depicted in the tallest green bar at 46% retirees who completed secondary school and got employed started saving to open businesses early enough in preparation for retirement. This entrepreneurial thinking happens to be encouraged among employees long before retirement (Ouma et al., 2019). Literature also points out such thinking as a prerequisite for a successful business as discussed in chapter two above. The study also notes that all of the sampled retirees had a certain level of education. This concurs with (Tambwe, 2015 & Babajide, 2012) that individual entrepreneurial characteristics such as education bring particular skill sets to the proprietor’s business

which helps improve the performance of that particular business as compared to other businesses without such an advantage.

#### **4.1.7. Source of capital for the day to day running of the business**

The main source of working capital for a majority of retirees at 44% was the business making enough profit in order to inject back the money into the running of the business. Savings and investment income followed at 30%. The retirees had invested their money somewhere and when it paid off, they injected that return into running their business. The interesting thing in this study is that some retirees' barely made mention of pension benefits or pushed it off as being an insignificant amount. This explains that only 8% of retiree's mentioned pension benefits as a source of working capital. The remaining 14% used loans from banks, SACCOs or self-help groups. The final 4% got help from their family members to use as working capital.

**Table 4.4 Source of working capital**

<b>Source</b>	<b>N=50</b>	<b>Percent</b>
The business runs itself	22	44
Public pension	3	6
Privately managed pension schemes	1	2
Savings and investment income	15	30
Bank loans	3	6
SACCO loans	3	6
Self-help group loan	1	2
Help from family	2	4
	50	100

*Source: Field data 2022*

#### **4.2. Relationship between retirees' financial resources and the performance of their businesses**

The study in this section analyzes if there is any relationship between retiree financial resources and performance of the businesses of the retirees who form the sample of this study. When it comes to retiree financial resources, the study is referring to the source of starting capital for the retiree's business. The main sources of financial resources in this

study are public pension schemes, privately managed retirement schemes, savings and investment income and loans. The study in measuring performance of retiree owned MSEs used non-financial performance measures. These were number of enterprises; number of people employed and increase in number of products and services. There is no empirical evidence that gives preference to financial performance measures over non-financial ones (Ongoncho, 2019). The table presented below is drawn from the responses of the 50 retirees owning businesses and it shows percentage changes in performance indicators.

**Table 4.5 Percentage changes in retirees’ business performance measures**

Performance Measure	Increased		Not changed		Decreased		Total	
	No	%	No	%	No	%	No	%
Number of enterprises	17	34	32	64	1	2	50	100
Number of people employed	20	40	28	56	2	4	50	100
Increase in number of products or services	38	76	11	22	1	2	50	100

*Source: Field Data 2022*

A majority of the businesses at 76% experienced an increase in number of products and services which implies a form of growth which is considered a performance measure. When it comes to the number of enterprises and number of people employed, it is clear that those that did not change are of a bigger percentage than those that experienced change. Perhaps this is due to the fact that the study was carried out during tough economic times. The businesses have barely recovered from the massive losses that occurred during the curfews and lockdowns put in place at the height of the COVID-19 pandemic. It is also important to take note that businesses that were either run by a sole-proprietor or a spouse were present as explained by (Mied & Liedholm, 1998).

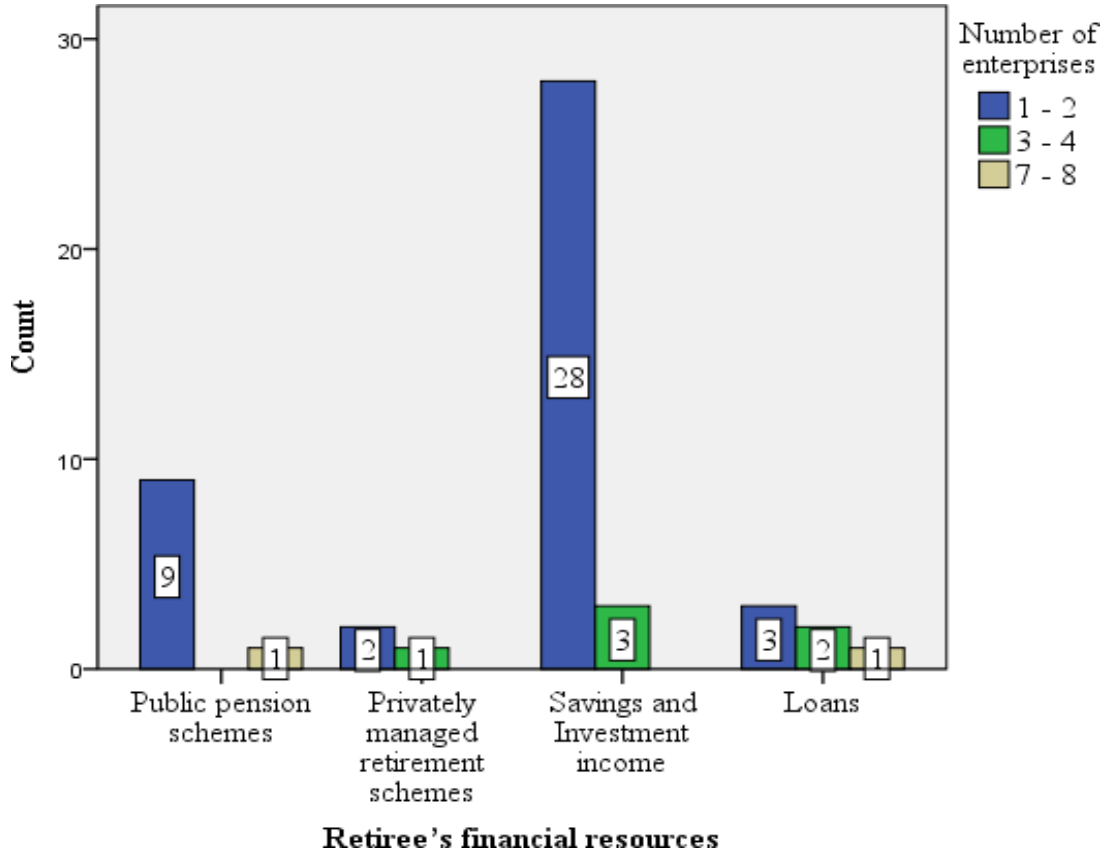
**Table 4.6 Retirees’ financial resources by percentage increase in performance measures**

Retiree financial resources	% of retiree-owned MSEs that reported increase in number of enterprises	% of retiree-owned MSEs that reported increase in number of employees	% of retiree-owned MSEs that reported increase in number of products/services
Public pension schemes	17.64	5.00	21.05
Privately managed retirement schemes	17.64	10.00	5.26
Savings and investment income	52.94	70.00	63.16
Loans	11.76	15	10.53

*Source: Field Data 2022*

Despite all the economic challenges, there was still an increase observed in the different performance measures. The increase occurred across all businesses no matter their source of starting capital or financial resources as seen in the table above.

**Chart 4.7 Retiree financial resources by number of enterprises**



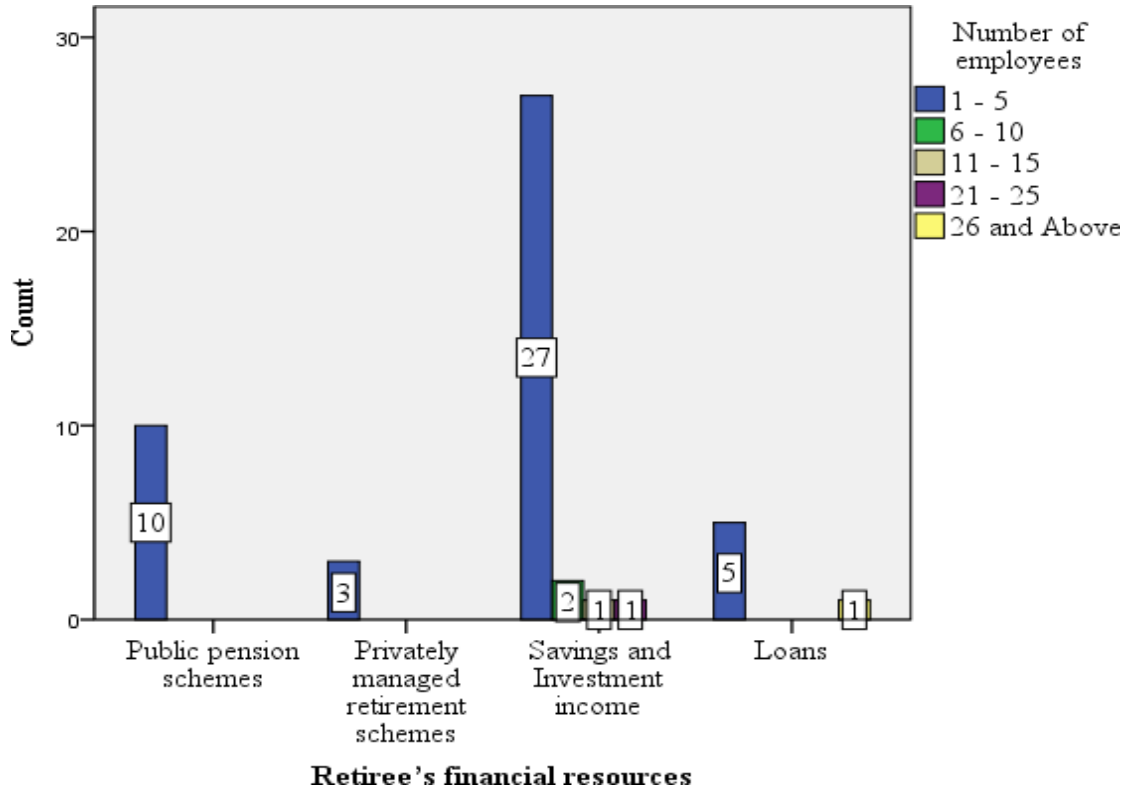
*Source: Field Data, 2022*

According to the observation in the chart above, a majority of retirees at 56% used savings and investment income to start their businesses, which is shown by the blue bar. That fact did not however make these businesses to have many enterprises as the chart above shows that they only had 1-2 enterprises. The reason for a large number of retirees using savings and investment income to start their businesses is that most of these businesses were started while they were still employed. As portrayed in table 4.2, most of the retiree’s businesses have been run for a good number of years. The highest number of enterprises owned by retirees were started with public pension and loans at 2% with 7-8 enterprises.

When trying to establish a relationship between retiree financial resources and number of enterprises, a non-parametric test was carried out in order to avoid assumptions of normality. The Chi-square test of independence yielded a p-value of .104 which means that we accept the null hypothesis that the variables are independent. The P-value therefore

shows that there is no relationship between retiree financial resources and the number of enterprises they own.

**Chart 4.8 Retiree financial resources by number of employees.**



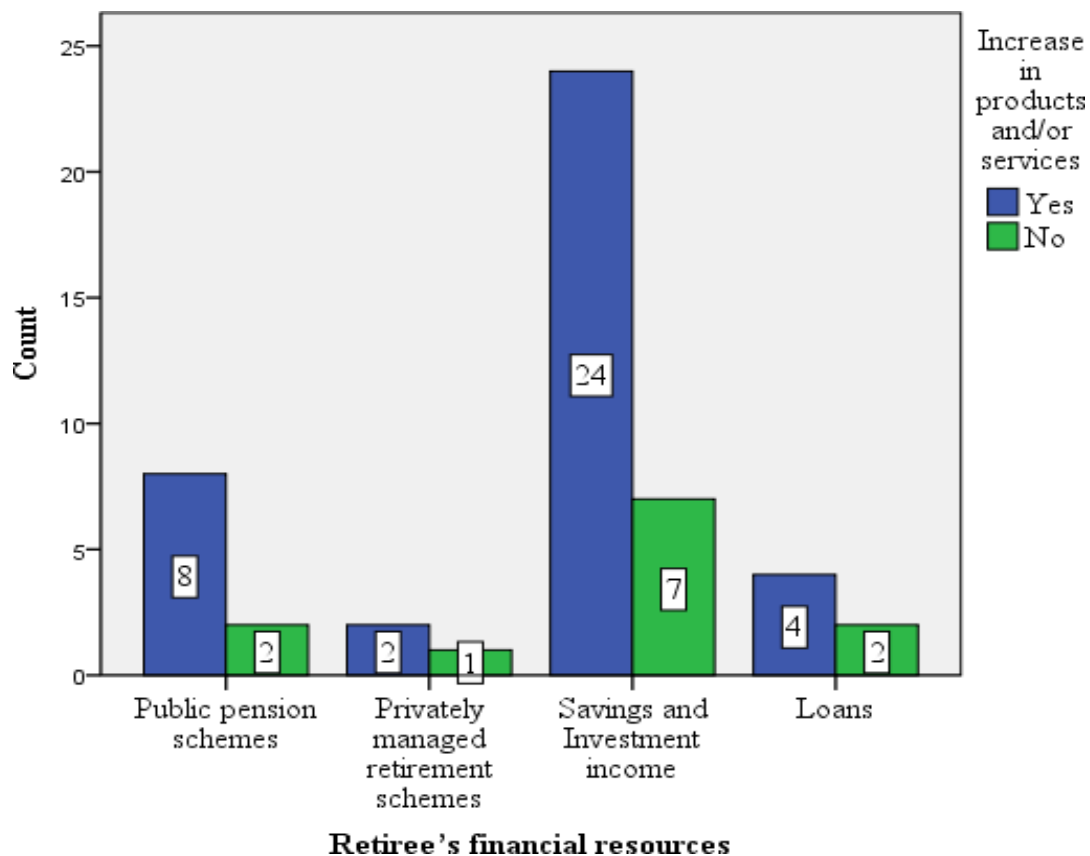
*Source: Field Data, 2022*

The number of employees for the retiree's in Murang'a Township has varied over the years and this is especially because of how old most of their businesses are. The chart above shows that businesses began using savings and investment income have the highest variation in terms of numbers of employees. This is perhaps because these businesses also happen to be some of the oldest ones. It is also important to note that some of the businesses were either run by the owner or by the owner's spouse who is a co-owner or both. There were cases where the business was run by one spouse while the other spouse continued working until they finally joined them in retirement. Some of the business owners chose to hire employees so that they could easily come in and out of the business to go run other errands. In some instances where the business owner(s) had more than one enterprise, they could each run a separate enterprise either on their own or with hired help. The chart above

shows that there were more micro enterprises than small enterprises by the measures of size given by (Kinyanjui, 1992).

When trying to establish a relationship between retiree financial resources and the number of employees, a non-parametric test was carried out in order to avoid assumptions of normality. The Chi-square test of independence yielded a p-value of .617 which means that we accept the null hypothesis that the variables are independent. The P-value therefore shows that there is no relationship between retiree financial resources and the number of employees they have hired.

**Chart 4.9 Retiree financial resources by increase in products and/or services.**



*Source: Field Data, 2022*

As show in the chart above, in each and every case of financial resources, there was an increase in the number of products and/or services. It is however important to note that some businesses in their nature may not make it easy to increase services they offer. For example, we have a case of an Ear, Nose and Throat expert who offers only their expertise in their health clinic.



When trying to establish a relationship between retiree financial resources and the number of employees, a non-parametric test was carried out in order to avoid assumptions of normality. The Chi-square test of independence yielded a p-value of .907 which means that we accept the null hypothesis that the variables are independent. The P-value therefore shows that there is no relationship between retiree financial resources and the number of products/services offered in a business.

### **4.3. Challenges facing retiree-owned MSEs in Murang'a Township**

Murang'a Township being located in the interior does not access a large flow of customers as compared to businesses in large cities. A good number of businesses in Murang'a Township source their non-agricultural products from Nairobi city. This speaks to the interdependence that exists and it also helps appreciate the relatively good transport network established in order to allow access to and from cities and interiors (KIIs).

**Table 4.7 Challenges of retiree-owned businesses in Murang'a Township**

Challenge	N=50	Percent
Increase in prices of commodities have led to fewer customers	13	26
COVID-19 epidemic has left the businesses struggling to recover	12	24
Competition is quite high	10	20
High taxes and licensing fees by the county council	3	6
At the very start of the business, one injects a lot of capital whilst striving to market/advertise the business	2	4
Increased cost of transport due to fuel shortage	2	4
Delayed payment after supplying goods hence forfeiting other orders and not being able to pay employees on time	1	2
Lacking skilled personnel at the very beginning of the business	3	6
It is tough to keep up with the products of the fast-moving technology	1	2

Farmers often demand a variety of new inputs which requires a lot of capital to keep up with	1	2
Government regulatory bodies often impose conditions on us which are detrimental to our businesses e.g. cereals, pharmaceuticals	2	4

**Source: Field Data, 2022**

The most recurring challenges happen to be, increase in prices of commodities have led to fewer customers (26%), COVID-19 epidemic has left the businesses struggling to recover (24%) and competition is quite high (20%).

It is of importance to reiterate one of the challenges as put forth by a respondent especially because Mukuyu has a thriving farmers market.

*“The recommended prices by the National Cereals and Produce Board have no produce to back it up”* (Respondent 35, semi-structured questionnaire)

This kind of challenge is detrimental to a retiree’s business and it absolutely affects the performance of the same. When customers demand for produce to be sold at the recommended prices, yet the equivalently priced produce is not available the business owner is at a loss.

## CHAPTER FIVE

### 5.0. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. Summary of the study

This study was undertaken as a futuristic response to the rising numbers of older persons as it has been observed globally. It is of importance to keep in mind that these numbers include retirees from formal employment in either the public or private sector. Literature has indeed observed a surge in numbers of retirees (Maina & Kimani, 2020). This study includes retirees in their entirety without any bias of the form of retirement they took whether it was early retirement or normal retirement.

Retirement is not the end of the working life of a retiree because many retirees go back into the labour market to work after retiring in the form of running businesses (Shiamwama et al., 2014). By doing so, retirees are responding to the call of (MIPAA 2002) through adding to the entrepreneurial ecosystem (UNFPA & Help Age, 2012). MSEs are significant to the economies of many countries as they absorb the unemployed in general among other benefits (Gichuki et al., 2014 & Mbugua et al., 2013).

This study is based on the continuity theory of retirement and life after retirement. The study argues that retirees continue working after retirement through businesses and this work gives them a sense of fulfillment (Thuku et al., 2016) and also a sense of continuity in the things they value. The main requirements for starting and running a successful business are finances, skills and time and retirees happen to have all three (Stephens & Hegarty, 2021). The study then was seeking to find the effect of retiree financial resources on the performance of MSEs in Murang'a Township.

The evidence from the sampled retirees in Murang'a Township shows that more males at 66% own MSEs than females at 34%. This is contrary to Chirwa (2008) findings that more women are involved in the MSEs sector. The dominant age-groups of retirees have been found to be 60-64 (40%), 55-59 (20%) and 65-69 (18%). A good number of the remaining age-groups of retirees' have surpassed the life expectancy for Kenya by the World Bank, (2019) and this is a sure sign that the numbers of older persons are increasing over time and it's good to prepare for the future.

The highest level of education accomplished by a majority of 60% was completing secondary school. There was a range of businesses run by retirees, but the most common

businesses were retail stores at 40% and Agribusinesses and value addition at 22%. The study noted that most of the retirees' businesses had been run for more than 7 years which proves that not all MSEs lifespan is short-lived. This is especially considering that a business is considered successful once it has hit 3.8 years (KNBS,2016).

The motives for starting their businesses vary from one retiree to another just as seen in (Namala & Milanzi, 2020). It is however of importance to note that the study concurred with (Stephens & Hegarty, 2021) that retirees utilize their knowledge from the formal sector to help their communities. The main source of start-up capital was savings and investment income at 62% because most retirees began their businesses before retiring. The main source of working capital is the business running itself at 44%.

There was an increase in all performance measures across all financial resources. Number of enterprises increased by 34%, number of employees increased by 40% and there was a 76% increase in number of products and services over time. However, when it came to the relationship between retiree financial resources and the performance of micro and small enterprises, no relationship was found on each performance measure. Non-parametric tests were carried out in order to avoid assumptions of normality. The Chi-square test of independence yielded a p-value of not less than or equal to 0.05 which means that we accept the null hypothesis that the variables are independent.

The study took notice of the myriad of challenges the retirees' businesses faced but the most common challenges were, increase in prices of commodities have led to fewer customers (26%), COVID-19 epidemic has left the businesses struggling to recover (24%) and competition is quite high (20%).

## **5.2. Conclusions**

In conclusion, this study was carried out among 50 retirees' owning micro and small enterprises. A majority of 33 out of 50 MSEs were male-owned while the remaining 17 MSEs were female-owned. The ages of the MSEs owners were spread out among different age groups as stated above. The highest level of education attained was completing secondary school at 60%. The most common businesses owned were retail stores. Interestingly, there were only four businesses below one year while the remaining businesses were older than a year. A majority of the businesses at 66% were begun in order for the retirees to gain some income. The main source of starting capital was savings and

investment income at 62%. It was interesting to note that 44% of the retiree's businesses made enough profit in order to run themselves. Financial resources were very important in the starting and running of the businesses.

There was no relationship found between retirees' financial resources and the performance of their MSEs. The retiree financial resources looked at were, public pension schemes, privately managed retirement schemes, personal savings and investment income and loans. The performance measures used were, number of enterprises, number of people employed and increase in products and/or services. A good number of retirees had more than one enterprise, they had experienced a rise in number of employees and a rise in numbers of products and/or services over time. The retiree's businesses gave them a sense of fulfillment and satisfaction.

Although the study used proxy measures of performance, performance measures are better understood by the individual business owner based on their objectives. About 99% of the retirees' when asked confirmed that they considered their business an absolute success. The individual retirees went ahead to explain the personal objectives their businesses helped them achieve as evidence of their success. Note that success and growth are synonymous with performance (Ongoncho, 2019). All retirees' faced challenges in their micro and small enterprises. Most of the retirees having run their businesses for more than 7 years expected to face challenges. They saw challenges as a hurdle and opportunity for growth. This perhaps speaks to the resilience of micro and small enterprises, especially those run by sole proprietors.

### **5.3. Recommendations**

This research project has the following recommendations:

There is a need for the different stakeholders concerned with retirees to record retiree-owned MSEs in official statistics just as it's done with registered firms. This will make room for more targeted research as pertains to this group. Targeted research may open room for progressive interventions which will benefit older persons and the economy.

Kenya as a country has an opportunity to borrow a leaf from OECD countries policies when it comes to post-retirement work. In the aforementioned countries, working after retirement is commonly referred to as bridge employment. They have further categorized this as career related bridge employment and non-career related bridge employment.

There is room for further research on the following areas: The benefit of using financial over non-financial performance measures if any, the effect of retirees' expertise on the growth of retiree-owned MSEs, how else retiree's ensure continuity apart from starting MSEs and the difference between bridge employment in developed countries and post-retirement work in Kenya.

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## APPENDICES

### Appendix 1: Semi-structured Questionnaire

#### Informed Consent Statement

Good day.

My name is Lenjo Scholastica Mbala, a Master of Development Studies Student at the Department of Economics, Population and Development Studies, University of Nairobi. I am currently conducting research on the *Effect of Retirees' Financial Resources on the Performance of Micro and Small Enterprises in Murang'a Township* as a partial fulfillment of my studies. I am requesting that you spare me some of your time in order for me to ask you some questions as regards to the study. I assure you that, your identity will remain anonymous. All the information that you will provide shall be treated with confidentiality and will only be used for academic research purposes for my project paper. Please note that your participation is voluntary and there is no compensation for participating. I will however sincerely appreciate your time and cooperation. It is my hope that the outcome of this study will provide new knowledge for future research.

Do you have any questions?

i. Yes	ii. No
--------	--------

Date \_\_\_\_\_ Start time \_\_\_\_\_ Stop  
time \_\_\_\_\_

#### SECTION A: DEMOGRAPHIC INFORMATION OF RESPONDENT/RETIREE

A1.	Respondent name	
A2.	Respondent gender	1. Male 2. Female
A3.	Respondent age	1. Under 55 2. 55-59 3. 60-64 4. 65-69 5. 70-74 6. 75-79

		7. 80-84 8. 85 and over
A4.	Highest level of education	1. None 2. Some primary school 3. Completed primary school 4. Some secondary school/high school 5. Completed secondary school/high school 6. Post-secondary qualifications other than university e.g. diploma/degree from college/polytechnic 7. Some university 8. Completed university 9. Post-graduate
A5.	Which year did you retire?	
A6.	Which sector did you retire from?	
A7.	What was your previous occupation?	
A8.	What was your job title?	
A9.	Contact (optional)	

**SECTION B: BACKGROUND INFORMATION OF RETIREES' BUSINESSES**

B1.	Name of enterprise	
B2.	Age of enterprise	
B3.	Products, services, activities of business	
B4 (a).	Do you own this business?	1. Yes 2. No
B4 (b).	If no, please explain	

B5.	Why did you choose to work in this business?	<ol style="list-style-type: none"> <li>1. Hobby/talent</li> <li>2. To keep busy/engaged</li> <li>3. Income purposes</li> <li>4. Other reason, specify</li> </ol>
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**SECTION C: RETIREES' FINANCIAL RESOURCES AND PERFORMANCE OF MSEs**

C1.	What was the source of starting capital?	<ol style="list-style-type: none"> <li>1. Public pension schemes e.g. civil service pension scheme, NSSF</li> <li>2. Privately managed retirement schemes e.g. occupational schemes, individual pension plans</li> <li>3. Savings and Investment income e.g. SACCOs</li> <li>4. Other sources of income, name them.</li> </ol>
C2.	What is the source of your working capital?	<ol style="list-style-type: none"> <li>1. Public pension schemes e.g. civil service pension scheme, NSSF</li> <li>2. Privately managed retirement schemes e.g. occupational schemes, individual pension plans</li> <li>3. Savings and Investment income e.g. SACCOs</li> <li>4. Other sources of income, name them.</li> </ol>

C3.	How many enterprises did you start with?	
C4.	How many enterprises do you have now?	
C5.	How many employees did you have at the start of your business?	
C6.	How many employees do you have now?	
C7.	Do you sell any new products that you did not sell at the beginning of your enterprise?	1. Yes 2. No
C8.	If yes, please name them	
C9.	Do you offer any new services that you did not offer at the start of your business?	1. Yes 2. No
C10.	If yes, please name them	
C11.	Has introducing new products/services benefitted your business?	1. Yes 2. No
C12.	If yes, please explain how	

**SECTION D: CHALLENGES OF RETIREE MICRO AND SMALL ENTERPRISES**

D1 (a).	Do you like working after retirement?	1. Yes 2. No
D1 (b).	If yes, how much do you like working after retirement?	1. Occasionally 2. About half the time 3. Most of the time 4. All the time 5. Don't know

D2.	Do you consider your business a success?	1. Yes 2. No
D3.	If yes, why?	
D4 (a).	Have you faced any challenges in your business?	1. Yes 2. No
D4 (b).	If yes, what challenges did you face at the start of your business?	
D4 (c).	If yes, what challenges are you facing now?	
D5 (a).	Do you regret starting this business?	1. Yes 2. No
D5 (b).	If yes, given a chance, what would you do differently?	

## **Appendix 2: Key Informants Interview Guide**

### **Informed Consent Statement**

Good day.

My name is Lenjo Scholastica Mbala, a Master of Development Studies Student at the Department of Economics, Population and Development Studies, University of Nairobi. I am currently conducting research on the *Effect of Retirees' Financial Resources on the Performance of Micro and Small Enterprises in Murang'a Township* as a partial fulfillment of my studies. Due to your knowledge and expertise on my study area, I have selected you as a key informant and I am hereby requesting to ask you a few questions on the study topic. This interview will take approximately 20 minutes of your time. All the views and opinions you share with me will remain confidential and shall only be utilized for academic research purposes. I will sincerely appreciate your time and cooperation. It is my hope that the information you will share will provide great academic insights to this study.

Date: \_\_\_\_\_ Start time: \_\_\_\_\_ End  
time: \_\_\_\_\_

### **A. General Information of the Key Informant**

<b>Name of Key Informant</b>	
<b>Gender of Key Informant</b>	
<b>Job Title of Key Informant</b>	
<b>Contact Information of Key Informant (Optional)</b>	

**B. Questions**

1. How would you describe retirement in Kenya?
2. Who is a retiree in Kenya?
3. (a) Are there any major differences between retiring from the public sector as opposed to the private sector in Kenya?

i. Yes	ii. No
--------	--------

3. (b) If yes, what are the outstanding differences?
4. What is a retiree in Kenya likely to do after retirement?
5. How often do retirees' in Kenya receive pension benefits immediately after retirement?

i. Always	ii. Often	iii. Rarely	iv. Never	v. Don't know
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6. How likely is it for a retiree in Kenya to start a business after retirement?

i.	Not at all likely
ii.	Not very likely
iii.	Somewhat likely
iv.	Very likely
v.	Don't know



7. What are the major differences between MSEs in metropolitan areas as opposed to MSEs in interior reserve areas?
8. On the whole, what does growth of MSEs look like in Kenya?
9. Overall, how often will retiree financial resources affect the growth of MSEs?

i.	Never
ii.	Once or twice
iii.	Several times
iv.	Many times
v.	Always
vi.	Don't know

10. What challenges is a retiree with an MSE likely to face in Kenya?
11. Are these challenges likely to be different for an MSE in Murang'a Township?

### Appendix 3: NACOSTI Research License

 **REPUBLIC OF KENYA**

 **NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY & INNOVATION**

Ref No: 604723 Date of Issue: 04/April/2022

**RESEARCH LICENSE**



**This is to Certify that Miss.. Lenjo Scholastica Mbala of University of Nairobi, has been licensed to conduct research in Muranga on the topic: The Effect of Retiree Financial Resources on the Performance of Micro and Small Enterprises in Murang'a Township for the period ending : 04/April/2023.**

License No: NACOSTI/P/22/16600

604723  
Applicant Identification Number

  
Director General  
NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY &  
INNOVATION

Verification QR Code



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## Appendix 4: Letter of introduction



**UNIVERSITY OF NAIROBI  
INSTITUTE FOR DEVELOPMENT  
STUDIES**

Telegrams: "VARSITY"  
NAIROBI Telephone: 254-20-491-  
0000

P.O. Box 30197,  
00100, Nairobi, Kenya  
Mobile: +254-772-114-655  
E-Mail: [director-ids@uonbi.ac.ke](mailto:director-ids@uonbi.ac.ke)

March 24, 2022

**Chief Executive Officer  
National Commission for Science, Technology and Innovation (NACOSTI)  
P.O Box 30623-00100  
NACOSTI Headquarters – Waiyaki Way  
Nairobi, Kenya  
Tel: 020-3310571**

Dear Sir,

**RE: LETTER OF INTRODUCTION AND SUPPORT – LENJO SCHOLASTICA MBALA**

Ms. Lenjo Scholastica Mbala is a Master of Development Studies Student at the Institute for Development Studies (IDS), University of Nairobi. She is scheduled to carry out data collection for her study on "The Effect of Retirees' Financial Resources on the Performance of Micro and Small Enterprises in Murang'a Township". The student will carry out the data collection in Murang'a County in the months of April and May 2022. She has applied for her research permit and would appreciate if you give the permit so that she can collect the data for her studies.

The purpose of this letter is to introduce Ms. Lenjo to you. Her details are as follows:

Registration Number: T51/11687/2018

Title of Research: The Effect of Retirees' Financial Resources on the Performance of Micro and Small Enterprises in Murang'a Township

Research Site: Murang'a County

Duration of Study: Two weeks

National ID No: 31462780

Thank you very much in advance.

Yours Sincerely,

Prof. Karuti Kanyinga  
Research Director  
IDS, University of Nairobi  
Email: [karuti.kanyinga@uonbi.ac.ke](mailto:karuti.kanyinga@uonbi.ac.ke)

## Appendix 5: Murang'a County Authorization letter

### MURANG'A COUNTY GOVERNMENT



#### OFFICE OF THE COUNTY SECRETARY/HEAD OF PUBLIC SERVICE

ALL CORRESPONDENCE TO BE ADDRESSED:  
THE COUNTY SECRETARY

P.O Box 52—10200,  
Murang'a,  
Kenya  
Telephone 060-2030271

E-mail: [countysecretary@muranga.go.ke](mailto:countysecretary@muranga.go.ke)  
Web: [muranga.go.ke](http://muranga.go.ke)

Ref: **MCG/CS/ADM/1 (110)**

19<sup>th</sup> April 2022

Miss.Lenjo Scholastica Mbala  
**NACOSTI/P/22/16600**

#### **RE: AUTHORITY TO CONDUCT RESEARCH IN MURANG'A COUNTY**

Reference is made to your request to conduct research on "The Effect of Retirees 'Financial Resources on the Performance of Micro and Small Enterprises in Murang'a Township".

The County Government of Murang'a authorizes you to conduct the research. Ensure you visit respective Sub-County Administrators to inform them of your presence.

J.M MUTHAMIA  
For: **COUNTY SECRETARY /HEAD OF PUBLIC SERVICE**

Copy to:       Municipal Manager