MICRO ENTREPRENEURIAL ENVIRONMENT AND PROFITABILITY OF MICRO 
SMALL BAR VENTURES IN BEVERAGE INDUSTRY IN KASARANI SUB – COUNTY-
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D53/OL/23020/2012

A RESEARCH PROJECT HAS SUBMITTED IN PARTIAL FULFILLMENT OF 
THE DEGREE OF MASTER IN BUSINESS ADMINISTRATION 
(ENTREPRENEURSHIP), SCHOOL OF BUSINESS

KENYATTA UNIVERSITY

JUNE, 2017
DECLARATION

This research project is my original work and has not been presented for a degree in any other University

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D53/OL/23020/2012

Signature: ........................................ Date: 06/06/17

This research project has been submitted for the examination with my approval as the candidates’ supervisor.

Mr. Shadrack K. Bett

Department of Business Administration

Signature: ........................................ Date: 06/06/17
DEDICATION

I dedicate this research proposal to my children, Joe Kennedy Munene, Joy Kevin Mwende, and Job Kelly Muriuki for their continuous support and understanding during the time I was busy with my studies.
ACKNOWLEDGEMENT

The completion of this research project has not been as result of my only contribution but also a contribution of several individuals to whom I feel indebted to appreciate. First, my appreciation goes to my supervisor for his constructive criticism and guidance that ensured that I did what was required to do. Second, I appreciate my family members for their support and understanding during the time I was busy with my studies. Third, my appreciation goes to my classmates and colleagues for their willingness to assist and share information when we consulted. Last and not the least, I thank God for the grace, provision and the ability he provided to me during the time I was undertaking this master’s programme.
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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>ADCA</td>
<td>Alcoholic Drinks Control Act</td>
</tr>
<tr>
<td>EABL</td>
<td>East African Breweries Limited</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>NACADA</td>
<td>National Campaign Against Alcohol and Drug Abuse</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
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</table>
### OPERATIONAL DEFINITION OF TERMS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Micro entrepreneurial</td>
<td>Skills required to manage, spot opportunities as well as remain competitive in the market for an entrepreneur or bar owner.</td>
</tr>
<tr>
<td>Competences</td>
<td>These are factors close to a business that have a direct impact on its business operations and success.</td>
</tr>
<tr>
<td>Micro entrepreneurial</td>
<td>Means a firm, trade, service, industry or a business activity whose annual turnover does not exceed five hundred thousand Shillings and which employs less than ten people.</td>
</tr>
<tr>
<td>environment</td>
<td>Small enterprises in Kenya are defined as those that employ between 10 and 50 workers with annual turnovers between KES 500,000 and KES 5 million and capital formation between KES 5 million and KES 20 million for services or between KES 5 million and KES 50 million for enterprises doing manufacturing</td>
</tr>
<tr>
<td>Micro enterprise</td>
<td>Small enterprises in Kenya are defined as those that employ between 10 and 50 workers with annual turnovers between KES 500,000 and KES 5 million and capital formation between KES 5 million and KES 20 million for services or between KES 5 million and KES 50 million for enterprises doing manufacturing</td>
</tr>
<tr>
<td>Non Tax legislation</td>
<td>Legal regulations that are not cost related but affect operation of these enterprises</td>
</tr>
<tr>
<td>Profitability</td>
<td>Is the ability of a business to earn a profit. In micro and small bar ventures profitability is indicated by the ability of the venture to grow, level of sustainability, branch network and the number of employees.</td>
</tr>
<tr>
<td>Promotional activities</td>
<td>Activities aimed at creating awareness about a product to the market in the quest to increase sales.</td>
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ABSTRACT

This study examines micro entrepreneurial environment and profitability of micro small bar ventures in beverage industry in Kasarani Sub-county Nairobi Kenya. The study was motivated by the rapid changes that threaten to destabilize the industry if not checked. Further, the regulations in the beverage industry particularly in bar ventures have had a myriad of effects eminent among them being that which affect the operations of small bar ventures either directly or indirectly thus putting concern on the growth of this ventures. The objectives of this study were to examine the effect of non-tax legislation, price changes as a result of taxation, entrepreneurial competences and promotional activities on profitability of micro and small bar ventures in Kasarani sub-county, Nairobi County. The study is expected to benefit bar entrepreneurs through helping them realize the factors that they can concentrate on to enhance growth of their ventures, The National Campaign against Alcohol and drug abuse in Kenya through providing an evaluation of their authorities policies in creating a balance for enhancing entrepreneurship as well as promoting the authorities objectives. The study targeted target 285 owners of bar ventures distributed across Kasarani Sub County. A descriptive research design was used to accomplish the research objectives. Stratified sampling technique was used to select a sample of 185 (65%) respondents to participate in the study. Data was collected using a semi structured questionnaire. The reliability of the research instrument was tested using test-retest method. Descriptive statistics was used to summarize data into meaningful forms, while multiple regression models were used to test the relationship between the study variables. Interpretation of the research findings was done based on the research questions. The study findings showed that micro entrepreneurial environment had very low contribution towards the profitability of small bar ventures in Kasarani sub-county. Legislation has the highest contribution according to the study findings. Price cuts as a result of taxation can increase profitability of small bar ventures as a result of increased consumption. However, the study findings record very low contribution of price cuts towards profitability. Enterprenurial competence contributes towards profitability while promotional activities contribute by a smaller percentage. The study recommended a need to enforce regulations that promote participation in business by small bar ventures, for the government to promote training and mentorship training among small enterprises and for major liquor manufacturing companies to increase their level of promotions. A further study could be carried out to establish entrepreneurial factors affecting profitability of small bar ventures in Kasarani Sub County, further, a similar study could be carried out to establish the effect of micro entrepreneurial environment on profitability of other small enterprises in other sectors of the economy.
CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter provides background information to the study of micro entrepreneurial environment in relation to profitability of micro and small bar ventures in the beverage industry in Nairobi, Kenya. The chapter has introduced the problem, discussed the problem statement, objectives of the study, research questions, significance of the study, scope and limitations.

1.1 Background of the Study

Small enterprises have globally played a pivotal role in promoting grass root economic growth (Clausen, 2006). Small enterprises have become an important part of economic matrixes in the recent years across the globe. Governments have increasingly made deliberate policies and legislation aimed at nurturing small enterprises as engines of economic growth and employment creation. In economies with high rate of employment growth, small and medium enterprises constitute over 90% of the economies (European Commission, 2015).

It is estimated that small and medium enterprises in USA and European union countries contribute to over 60% employment, 40-60 percent Gross Domestic Product (GDP) and 30-60 percent exports. Among the Asian countries such as India, Indonesia, china, Malaysia, Japan and South Korea, small and medium enterprises contribute between 70-90 percent in employment and estimated 40% contributions to their respective GDPs
Economic powerhouses in Africa such as South Africa, Egypt and Nigeria the small and medium enterprise sector is estimated to contribute over 70% employment and 30-40% contribution to GDP, though the sector contributes less than four percent to export earnings Kuwayama, 2002, European Commission, (2015).

The beverage industry is a mature sector, however growth opportunities are few compared to existing business and as such many members of the industry work to diversify their offerings to compete better. Most players in this industry pursue lucrative distribution arrangements to expand their operations and reach. The emerging trends in the alcoholic drinks industry particularly warrant attention. According to Kotler (2000), the marketplace is not what it used to be. It is radically different because of societal forces such as technological advances, globalization and deregulation; these forces have transformed the operational environment, which has influenced profitability of ventures. As a result, Kotler argues that customers increasingly expect high quality service and customization. They perceive few real product differences and show less customer loyalty (European Commission, 2015). They use available internet technology and other sources to obtain extensive product information, while showing greater price sensitivity on their search for value. With this changes taking place, it is important to explore the impact they have on small bar enterprises since little amount of research has been done to shed light on the subject. Moreover, the retail sector is constantly changing to an extent that those who fail to match up with the changes lose substantially.

Giebneut, (2008) noted that today’s consumers are able to access objective information on competing brands including prices, features and quality without relying on individual manufactures or alcoholic beverage distributors. In most of the cases, they are able to
specify the customized services that they want, are able to specify the prices that they are willing to pay and wait for the most eager sellers to respond (Williams, 2016). This has resulted to a dramatic shift of economic power from alcoholic beverages dealers to consumers. A notable strategy associated with the aforementioned new trends according to Sternquist (1999), is forcing of alcoholic beverages to engage in international expansion. In Kenya, an economic survey (2006) indicated that small and micro enterprises play an important role.

Despite the significant contribution of these small enterprises towards the economy, past statistics indicate that three out of five businesses fail within the first few years or months of operation (Kenya, National Bureau of Statistics, 2007). Micro and small bar ventures have particularly been on the focus because of the current business situation that seems to put the operations of bars in a myriad of circumstances that remain unaddressed. Of particular is the state of profitability for micro and small bar ventures in the midst of operational environment in which the firms are exposed to (Nkonoki, 2010).

The Kenyan parliament enacted the Alcoholic drinks control Act of 2010 in an attempt to bring sanity in the alcoholic sector. This notwithstanding, the regulation of alcohol consumption highly affects the beer industry and particularly micro and small-scale bar ventures in various ways. Mutegi (2013) indicated that earnings in the beer industry had been under pressure following enactment of the law, key among its proponents being bar opening hours that hurt the flow of sales for brewers. According to Yadid (2013), prohibition of alcohol retail sales from between 10pm and 6am and the ban on all alcohol advertising as well as prohibition of new shops and bars from opening within 300 m of
schools and mosques negatively affected sales of alcoholic drinks especially small bar ventures.

Gitonga (2013) further indicated that the Alcoholic drinks control Act of 2010 (Mututho law) led to closure of over 50 bars in the year 2013 in Naivasha only, with the effect of the business closures being noticeable in terms of increased unemployment, increased poverty levels and decreased household wages. This, coupled with the common business environment within which small enterprises exist, makes bar enterprises uniquely placed as far as the challenges that they face is concerned (Kimani, 2010). While the background provides evidence of how the operational environment influences the profitability of small business ventures, there is little done to examine how the micro entrepreneurial environment influences profitability of micro and small bar ventures in the beverage industry. It is therefore against this background that this study will be carried out.

**1.1.1 Micro Entrepreneurial environment**

Different studies conceptualize environment as a multidimensional variable that is characterized by dynamism, complexity and hostility (Beard, 2004). According to Potter, (2004) environmental hostility is reflected in a wide range of factor, that include industry grow rate, the level of competitive intensity within the industry, industry’s access to inputs and perceived randomness of competitors behavior and the availability of exploitable product market opportunities (Potter, 2004). Miller (2003) looks at hostility as the degree of threat to the firm is faced by variety of factors, vigor, and intensity of competition and downswings and upswings of firm’s principle industry. Dynamism in micro environment includes both the rate if unpredictable environmental change and the stability of the environment (Beard, 2004), in this study, on micro entrepreneurial
environment, dynamism is seen as the unforeseeable change in the complex environmental factors, which usually have been found to encourage entrepreneurial behavior from a firm level.

The ability of a firm to respond to challenging behaviour presented by current dynamism may therefore determine the extent to which a firm makes profits. Uncertainty has been considered as an important dimension of micro entrepreneurial environment, Miliken (2007) indicates that uncertainty is the inability of the individual to discriminate between relevant and irrelevant data. Three types of uncertainty as Miliken suggests include; inability to predict the nature of the effect of environment future state on the organization, inability to predict the likely consequences of a response choice, and perceived environmental uncertainty. Studies on the interrelation between micro entrepreneurial environments conclude that different environmental characteristics, affect entrepreneurial perception which in turn drives firms to adopt strategic orientations.

1.1.2 Profitability of Small Bar Ventures

The profitability of small bar ventures is one of the major driving factors that determine entry into the business. One of the profitability dimensions according to Aarhus,(2011) is the cash conversion cycle which represents the length of time that funds are tied up in the working capital. Aarhus, (2011) indicated that reducing the cash that is tied up in the cash operating cycle improves the profitability and market value of the business hence the need for efficient cash management practices in improving business performance.
1.1.3 Small Bar Ventures in Kasarani Sub-County

Kasarani Sub County is one of the administrative units of Nairobi County. Being a populous area the place is home to many types of small business ventures with small bars being prominent. Kasarani Sub County has a population of 70 small bar enterprises located in different parts areas. Unlike other small business the small bar ventures are faced with variety of challenges particularly as a result of regulatory policies affecting alcoholic drinks in Kenya. (Gmel, 2008) Other than regulatory challenges, most of the firms are faced with capital deficits due to their inability to source funds from lending institutions like banks mainly due to lack of collateral deficiency, lack of guarantors and massive documents requirements coupled with complicated and length application procedures (Cooney, 2012). There has also been a challenge of business management skills due to inability to promote and market products on the part of entrepreneurs. With attempts by the government to introduce policies aimed at improving access to finances, it still remains unclear the extent to which this efforts have affected the profitability of small bar ventures in Kasarani sub county, it is therefore in view of this that this study was carried out.

1.2 Statement of the Problem

The beverage industry in Kenya experienced rapid changes that threaten to destabilize the industry if not checked. According to East Africa Breweries (EABL), (2013), the regulations in the industry have had a myriad of effects eminent among them being those that negatively affect individuals directly or indirectly. The EABL report 2013 indicates that the volumes of beer sold decreased significantly, in the year 2011. There has been closure of bars in the year (2013) as per Gitonga (2013). Primarily, the down turn led to
decreased quality of life for children and loss of livelihood as profits in the bar ventures decreased sharply (Giebneut, 2008). The negative effect of the alcohol industry environment is more felt by small bar operators who have to content with the industry situation with many factors outside their control.

Various studies have been carried out with regards to the beverage industry. Kobia (2011) carried out a study to examine the factors influencing alcohol consumption in Majengo Slums of Nyeri County. NACADA (2010) similarly undertook a study to examine alcohol use in central Kenya, while Chaloupka, (2011) study was on social economic welfare of bar owners. These studies find different micro entrepreneurial environment in which organizations thrive. Notable from the previous studies is the continued focus on alcohol consumption rather than the enterprises dealing with the alcohol business. Like any other, business, profitability may be affected by various constructs who interrelationship might threaten who boost the growth of business in a big way. Of particular reference to this study and which has been left out in the empirical studies Reviewed in the extent to which non-tax legislation, price changes, entrepreneurial competences and promotional activities affect profitability of business ventures. While small enterprises may be eminent facing challenges occasioned by the emergent trends in the industry, a foregoing background does not provide conclusive evidence that there have been studies carried out to examine the influence of the micro entrepreneurial environment on the profitability of small bar ventures. It is therefore on this basis that this study was carried out.
1.3 Objectives of the Study

1.3.1 General objective
To examine the micro entrepreneurial environment in relation to profitability of micro and small bar ventures in the beverage industry in Nairobi County, Kenya.

1.3.2 Specific Objectives
The specific objectives of the study were to;

1. To find out the effect of non-tax legislation on profitability of micro and small bar venture enterprises in Kasarani Sub-county Nairobi County
2. To examine the effect of price changes as a result of taxation on profitability of micro and small bar venture enterprises in Kasarani Sub-county Nairobi County
3. To examine the extent to which entrepreneurial competences affect profitability of micro and small bar venture enterprises in Kasarani Sub-county Nairobi County
4. To find out the effect of promotional activities on profitability of micro and small bar venture enterprises in Kasarani Sub-county Nairobi County

1.4 Research Questions

The study sought to answer the following research questions,

i. What is the effect of non-tax legislation on profitability of micro and small bar venture enterprises in Kasarani Sub-county Nairobi County?

ii. What is the effect of price changes as a result of taxation profitability of micro and small bar venture enterprises in Kasarani Sub-county Nairobi?
iii. To what extent do entrepreneurial competences of bar owners/managers affect profitability of micro and small bar venture enterprises in Kasarani Sub-county Nairobi County?

iv. What is the effect of promotional activities on profitability of micro and small bar venture enterprises in Kasarani Sub-county Nairobi County?

1.4.1 Study Hypothesis

$H_{0\,1}$ Non tax legislation does not affect profitability of micro and small bar venture enterprises in Kasarani Sub-county Nairobi County?

$H_{0\,2}$ Price change as a result of taxation profitability does not affect profitability of micro and small bar venture enterprises in Kasarani Sub-county Nairobi?

$H_{0\,3}$ Entrepreneurial competence of bar owners/managers does not profitability of micro and small bar venture enterprises in Kasarani Sub-county Nairobi County?

$H_{0\,4}$ Promotional activities do not affect profitability of micro and small bar venture enterprises in Kasarani Sub-county Nairobi County

1.5 Significance of the Study

The study was expected to be of benefit to various individuals and organizations. Bar ventures were expected to benefit from the study through realization of factors that have more significant effect on their profitability. This could lead to improvement in various areas of operations. The study was expected to reveal to NACADA the effectiveness of some legislative actions such as alcoholic drink control act as far as creating a win-win situation for both business owners and consumers of these drinks is concerned. This
could lead to readjustment in the policy with regards to formulation and implementation. Alcohol manufactures who also play an active role in the promotion of alcoholic drinks were expected to use this study to identify different marketing strategies and how they can be integrated in the current trends in the industry to ensure optimum growth through profitability. The study comes at a time when little has been done to examine micro entrepreneurial environment and profitability of micro small bar ventures in beverage industry, particularly in Kasarani sub – county- Nairobi Kenya. This study may thus be used by future researchers to examine future research problems related to the current study.

1.6 Scope of the Study

This study focused on the operational environment in relation to profitability of micro and small bar ventures in the beverage industry. The study was limited to micro and small bar enterprises within Nairobi County. The study particularly focused on the effect of legislation, taxation, skills and competence and promotional activities on profitability of micro and small enterprises dealing with bar ventures in Kenya’s sub urban counties. The study limited itself to the degree of understanding among the respondents about how their operational environment influenced their profitability.

1.7 The Limitations of the Study

The study only focused on micro- scale bar ventures. Other entrepreneurs involved in the sale of alcohol from other businesses such as hotels and members clubs were not engaged. The study was this limited to the extent to which respondents were willing to provide the information required.
1.8 Organization of the Study

This study sought to examine micro entrepreneurial environment and profitability of Micro and small bar ventures in beverage industry in Kasarani Sub – county- Nairobi Kenya. Chapter one discussed the background of the problem, objectives of the study, research questions, significance of the study, scope of the study, limitations and organization of the study. Chapter two discussed the theoretical review, empirical review, summary of literature review and research gaps and the conceptual framework. Chapter three discussed the research design, research philosophy, empirical model, operationalization and measurement of variables, sampling design, data collection instruments, data analysis and presentation.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discussed the literature on micro entrepreneurial environment and profitability of micro and small bar ventures in beverage industry in Sub-county Nairobi Kenya. The chapter has been sectioned into the theoretical review, empirical review, summary of literature review and research gaps, as well as the conceptual framework.

2.1 Theoretical Framework

The study was guided by the following theories.

2.1.1 Dynamics Theory of Profits
The study was based on the dynamic theory of profits by Clark (2004). The dynamics theory posits that an economy is said to be dynamic when there is a change in the population growth or change in the method of production or change in consumer’s want. A society is called a static society if it lacks these changes. In static society, only monopolies continue to exist. All other economic profits are gradually eliminated by competition. Clark posits that in a dynamic society, an entrepreneur is always confronted with continuous unpredictable changes in demand for his product. The variation in demand may take place as a result of changes in fashion, standard of living, distribution of income, populations, new inventions, international repercussions and technological advances.
According to Schumpeter, prudent entrepreneurs keep an eye on future demand for his or her products in the wave of changing circumstances. If they succeed in increasing sales by lowering cost of production or by adoption of an innovation, then they can secure profits. Thus profits are reward of progress, referred to Schumpeter as reward for innovation. According to dynamic theory if an entrepreneur produces a new thing and creates demand for his products, then he is likely to obtain profits, but if the entrepreneur cannot continue to exist for a long period, other entrepreneurs also adopt innovation and produce similar products. The total output increases, the profits gradually come down and similar products are perpetually produced. Perpetual profits are therefore as a result of perpetual successful innovations.

The dynamic theory of profits is important in this study in explaining the role of entrepreneurs in charting the growth path of their enterprises. As explained in the theory, entrepreneurs have to circumvent through several factors affecting the demand of the products they are offering through continuous innovation. Failure of innovation on the part of the entrepreneurs leads to decreased profits as the innovations are continuously adopted by competitors leading to a common competitive ground. Though suitably applicable for this study, the dynamic theory of profits has been criticized on the ground that it is wrong to attribute all profits to dynamic changes. This is because certain changes which are of a recurring and calculable nature, can be anticipated and the output adjusted according to that and that profits do not rise on those regular changes but on those which are unforeseen or unpredictable.
2.1.2 Theory of Entrepreneurship

The second theory that this study will be built on is Leibenstein’s Theory of Entrepreneurship. Harvey Leibenstein (1922-1994), consider entrepreneurs as gap fillers. The theory posits that, entrepreneurs have special ability to connect different markets and make up for market failures and deficiencies.

Based on his key tenets, Harvey’s thoughts mainly focus on two things, suggesting a theory of entrepreneurial economic and using the theory to explain the value of entrepreneurship within an economy. According to Leibenstein, routine entrepreneurship has well defined markets while non-routine entrepreneurship has no defined markets. He introduces ways and possibilities of how entrepreneurs can exist in both types of economies, illustrating the characteristics of the entrepreneur as such as risk bearer, taking ultimate responsibility, gap filler, and input completer and ability to evaluate economic opportunities. Leibestein’s theory rest upon input and output of entrepreneurship. For instance, input could be a motivational factor. With entrepreneurship being a scarce resource, Leibenstein implies that entrepreneurship has value in the economy in the sense that creation and fruition of tools and technology expands the economy and its features. He further explains that because entrepreneurship is not predictable, controllable or undetermined, it becomes a scarce resource because the up and coming entrepreneurs have a lack of input completing capacities. Leibestein’s theory is important in this study as it seeks to explain what is faced by entrepreneurs in different market environments and what an entrepreneur should do to be successful and why entrepreneurship exist. The theory provokes use of creativity among entrepreneurs in the wake of unpredictable business scenarios.
2.2 Empirical Review

Various studies have been carried to examine the factors affecting profitability of small bar ventures. The empirical review provides an examination of these studies in consideration to their relationship with the current study.

2.2.1 Effect of Non Tax Legislation on Profitability of Micro and small bar ventures

Legislation is a government set of laws governing a particular process or action (Mile, 2010). In Kenya, a small bar business is regulated by the provisions of liquor licensing act Cap 121. According to the Constitution of Kenya (2010), a retail liquor licence authorises enterprises to sell liquor on the premises, at hour and subject to such conditions as specified in the licence. Legal framework in beverage industry may affect the profitability of a business venture. Various studies have been carried out to examine the relationship between legislation and business profitability. According to Williams (2016) government can implement policy that changes social behaviour in business. William further notes that governments establish many rules and regulations that guide businesses, adding that government policies and regulations have influence on the competitiveness and profitability of businesses.

Miles (2010) identified various risks that are faced by small businesses as a result of government regulation. Among these risks include government regulation constraints; this according to Chaloupka, (2011), measures the risk of government regulation constraints on business enterprise. The risk factor may involve significant costs of licensing and permits. Regulations acts as both constraints to profitability and as a
protective barrier to entry. Golafshani, (2003) indicated that risk may affect current ways of doing business for small enterprises.

Williams, (2016), in a study survey that covered chief executive officers across major industries in US indicated that regulatory environment was a top issue that could impact the economy significantly. The study indicated that 34% of CEOs were spending more time with regulators than government officials. According to Gorgens et al (2003) regulation can have both positive and negative impact on growth. It increases growth when it improves economic efficiency by reducing market failures. He however notes that regulation can decrease growth if it is based on objectives such as rent seeking.

In the liquor industry which is the focus of this study and the main product for small bar ventures, various studies have shown implications of regulation on enterprises. In a study to establish the effect of alcoholic drinks control Act of 2010 on the social economic welfare of bar owners and patrons in Nyeri County, Kipkirui (2012) established that health of patrons and bar owners improved considerably since the implementation of Mututho law. The study also established that most patrons and bar owners lived in the same compound with their families and therefore reduced working or drinking hours for patrons improved relationship quality with spouse to a great extent. The law was however found to decrease the profitability of bar businesses in the area. Penalties imposed on small entrepreneurs as a result of regulations can be grounding to business. Ringa (2015) reporting on the implication of county Liquor Licencing act indicated that the implications of the act was loses as a result of hefty fines as well as closure of operations due to non-compliance with regulations.
From the reviewed empirical literature, it is apparent that legislation can have both positive and negative impact on profitability of small bar ventures. There has been an attempt to address these effects, with non-financial benefits of regulations being well-being on the side of the entrepreneurs while the financial implications show business growth in cases where business is protected and losses and probably business closures in cases where legislation exposes business to huge operational costs.

2.2.2 Price Changes as a result of Taxation on Profitability of micro and small bar ventures

Research on businesses dealing with sale of alcoholic drinks is carried out from a variety of disciplinary backgrounds and perspectives. From economic perspective, alcoholic drinks are considered consumer goods and therefore what is generally known about consumer behavior is likely to provide insights into alcohol consumption and consequence performance of bar owners. According to Gale, (2013) the most basic prediction from the economic model of consumer behaviour is that, other things being equal, consumers demand for given goods fall when prices of that good rises.

Various research findings indicate that this law of demand holds for alcoholic beverages. One research approach pioneered in the early 1980’s (Cook 1981; Tauchen 1982) examined the relationship between alcohol tax rates and such public health outcomes as traffic fatalities and liver cirrhosis, an alternative approach through which an alcohol tax increase might reduce alcohol related problems. The study sought to answer the question of how consumption of alcoholic beverages fall when prices increase, whether there is a relationship between persons who drink heavily in response to changes in prices and
taxation. The findings indicated some consensus among researcher that higher alcoholic beverage prices and taxes resulted in less drinking and fewer drinking related problems, the study however underscored the observation that the magnitude of consumer response to price or tax changes is harder to determine.

More recent studies further reveal the implications of pricing as a result of taxation on alcohol consumption. Chaloupka (2011) carried out a study to examine the effects of alcohol use and its consequences. The study noticed that with increase in state taxes there was decreased alcohol consumption and its related consequences. The effect of increases in monetary prices through raising taxes on alcohol consumption and wide range of related behavioural health problems demonstrated that prices increases for alcoholic beverages lead to reduced alcohol consumption both in general and in certain risk populations such as heavier drinkers, or adolescent and young adults. From these findings, it can be deduced that taxation would affect consumption of alcohol either by leading to an increase or a decrease of sales which might consequently affect profits.

Alcohol drinking patterns may influence overall profitability of small bar ventures. Various studies indicate that an increase in the price of alcoholic beverages can contribute to some consumers switching to lower priced beverages. An increase in price due to taxation significantly reduces the prevalence of drinking among the youth. These are mainly the major target clients for small bar ventures. In a study by Gruenewald et al. (2006), on drinking patterns with regard to alcohol consumption, it was found that any saving from shifting from higher cost to lower cost alcoholic beverage alternatives tends to produce a type of induced income effect on consumers that operates similarly to the positive income effect typically associated with a price decrease. On other hand, if there
is a rise in the price of high-quality beverages this could possibly lead to an increase in total alcohol consumption as consumers switch to higher quantities of lower-quality brands. Gmel (2008) noted that in their survey of 889 Swiss alcohol consumers, that in the long run changes in taxation (in this case a reduction) affected mainly light and moderate drinkers and contributed to increased consumption in these sectors of the population.

2.2.3 Effect of entrepreneurial competences on profitability of micro small bar ventures

Various research evidence place emphasis on entrepreneurship competences in assessing performance of different parameters among small business. In Schumpeter’s dynamic theory of profits, innovation among entrepreneurs is considered a key determinant of whether an enterprise is making profits or not. Various empirical evidences have also been carried to examine the relationship between entrepreneurial competences and profitability of small enterprises.

In a study to examine entrepreneurship skills development and growth of small and medium enterprises in Rwanda, Nzambara (2013) established that most entrepreneurs running small businesses had limited business skills particularly the ability to recognize business opportunities, being innovative and communicating effectively in business transactions. 65% of the study participants admitted that they lacked skills of identifying business opportunities. 96% indicated that their sales were decreasing because of failure to communicate with clients while a substantial 63% revealed that they lacked innovative skills (Moreno, 2016). Lack of these skills greatly affected business in terms of return on
investment, net profit and sales turnover. The study recommended a need to equip entrepreneurs with skills such as separating money between business and households, reinvesting profits in business, maintaining of sales and expenses records and thinking proactively about new markets and opportunities.

While Nzambara support skills development among entrepreneurs, as a pivotal tool towards growth and profitability, there has been controversy on the relevance of the skills obtained through training compared to skills acquired through informal training. According to Cowling (2003), the role of human capital is central to understanding of what makes an entrepreneur and whether or not people who do not choose an entrepreneurial career path are successful. Researcher’s separate human capital into two categories, formal who essentially have educational qualifications and experience, and informal, human capital developed through work experience and familial experience. The question is whether one or the other types of human capital is more in helping successful entrepreneurship ventures. Parker, (2008) asked the question of whether entrepreneurship can be taught or whether it was an innate characteristic. He further questioned whether enterprise education training on entrepreneurship could make a difference to business outcomes for small enterprises. An observation by Cowling et al (2003) indicated that informal human capital is more important in the entrepreneurial sector than waged sector. He however underscores the observation that entrepreneurship has a formal, managerial and decision making element that leads itself to formalized teaching, with the ability to identify opportunities being at the heart of this.

In a study to examine the relationship between business management training and small enterprise growth in Kenya, Mungai (2012) looked at the relationship between training
competences and small medium sized enterprises growth in Kenya. The study findings indicated that lack of basic skills in business management and entrepreneurship seems to be a drawback in growth and development of the small enterprise sector. Although business training had positive effect on entrepreneurs, the value that entrepreneurs attach to the importance of the training was considered important. It was noted that while most entrepreneurs valued training, they could not afford it. From the literature reviewed, it is notable that like in many industries, the growth of micro and small bar ventures could be largely be determined by the innovative entrepreneurial skills developed by bar owners and managers to navigate the prevailing market competition. There has been however a mixture of findings with controversy on whether small scales entrepreneur’s needs informal experience or formal training.

2.2.4 Promotional Activities Effects on Profitability of micro and small bar Ventures

Promotional activities are at the core of many business enterprises. In a business environment that seeks to attract as many customers to their products and services, promotional activities may perhaps be significant in shaping the direction of the business. According to Yasory (2012), promotion is one of the key factors in the marketing mix that probably plays a key role in market success. It is used to ensure that consumers are aware of the products that the organization is offering and seeks to establish communication relationship between the organization and the public. According to Adetayo (2006) opined that promotion seeks to inform, remind and persuade target customers about the organization and its products.
Various studies have been carried out to examine the effect of promotional activities on performance of businesses. Odhiambo (2012) revealed a positive correlation between promotional strategies and sales performance. It was reported that at 5% level of significance, there was positive relationship between promotional strategies and profits.

Grankvist (2004) in a study that focussed on promotional mix strategies for banking services, it was concluded that all elements of promotional mix were used to some extent for promotion of banking services. Murugaih (2003) who carried out similar study on financial industry recognised the importance of promotional strategy in influencing performance in the sector. For small enterprises, Wannur (2012) noted that personal network promotional tool that comprises of family, friends, sales promotion, and distributors has some impact on performance. Savoury (2012) in the study on the effect of sales promotion as a tool on customer attention to purchase concluded that promotion brings about customers’ attention and promotion of selling. While it is notable that promotions are likely to increase product sales and profits in the long run, promotion of alcoholic beverages sold by micro and small bar ventures might be complex, given industry regulations of such products.

In a study to establish the factors affecting marketing of alcoholic beverages in Kenya, Ali (2014) found that environmental factors, that is social, political, economic, ecological, legal, cultural and technological events had impact alcoholic beverages marketing. Environmental scanning was said to raise manager’s awareness of potential developments that could have impact on industry, posing opportunities and strengths. Most small and medium enterprises in Kenya get their supplies from major brewers in the country; in addition, these firms depend on the marketing strategies applied by the
brewers to promote alcoholic beverages. In a study to examine the impact of alcoholic drinks control act 2010 on marketing strategies in East African Breweries, Mathooko et al (2013), indicated that there was reduced sales for both alcohol manufactures and retailers since the enactment of the ADCA 2010.

The study noted that increased licensing fees imposed on the operating outlets for selling alcoholic drinks had seen most outlets close down. East Africa Breweries Limited had also stopped sponsorship of sports and events that would enable the company sell alcoholic drinks to these events. These forced the company to reduce production of alcoholic drinks in the factory. The study findings concluded that ADCA 210 affected marketing activities of EABL and recommended that the company develop affordable brands and educate the public on consumption of affordable brands. Given the research evidence on the implication of promotional activities on alcoholic products, of particular interest to this study is the extent to which promotional activities that favour cheaper brands normally sold by small bar enterprises has been undertaken. The study seeks out to establish the extent to which production and sales of cheaper alcoholic beverage have enhanced profitability of small bar ventures.

2.3 Profitability

Profitability is the ability of a business to earn a profit. Belkaoui, (2003) defines profitability as what is left of the revenue a business generates after it pays all expenses directly related to generation of revenue. While profitability is a key measure of many enterprises despite their sizes, various studies indicate that profitability in small enterprises may be indicated by aspects such as growth, number of employees and branch
network. In a study to investigate the longitudinal behavior of growth rates and profitability for large sample of Australian firms, Douglas (2005) finds growth rates are more volatile than profitability measures. Using a regression equation with lagged profit and growth variables, there was no evidence between growth and profitability for older firms, in contrast for younger firms highly profitable firms were found to be highly growing. In small bar enterprises, various indicators of profitability as Cooney, (2012) points include sales per head, gross profit on sales, leverage profits on sales and stock turnover. Sustainability and opening of new branches and more employees are indicators of profitability. This study will focus on these indicators to examine the profitability of small bar ventures.

2.4 Conceptual Framework

A conceptual framework provides the system of concepts, assumptions, expectations, beliefs and theories that support and inform research and is a key part of a research design (Miles and Huberman, 1994). Robinson and Huberman defined conceptual framework as a visual or written product that explains graphically, or in a narrative form the main things to be studied. Key factors, concepts or variables and relationships among them. The relationship between the study variables has been indicated in figure 2.1 below.
Figure 2.1 Conceptual Framework

Source: (Researcher, 2016)
Profitability of micro and small bar ventures is the study’s dependent variable. In the researchers' view, profitability of these ventures is indicated by growth, sustainability in the market and sales turnover. Various factors are considered influential in shaping the profitability of small business ventures. These factors include legislation that may significantly affect social behaviour as a result of policy changes and legislation costs as indicated by the significant cost of licensing and permits. Enterpreneurial competence determines the ability of the entrepreneur to circumvent through business challenges through being innovative enough to earn profits, through managerial skills and marketing skills.

Price changes as a result of taxation may determine profitability of bar ventures in different directions. Within the context of the proposed study, price changes through taxation is likely to influence profitability by shaping the behaviour of target market in the midst of price cuts. Promotional activities for alcoholic beverages and related products are likely to be shaped by the level of legislation. The current study sought to examine the extent to which promotional activities influence marketing strategies for major manufacturers and how this trickle down to micro and small bar ventures in relation to their profitability.

2.5 Summary of Literature Review and Research Gaps

The literature review on micro entrepreneurial environment and profitability of micro and small bar ventures in beverage industry has been discussed from the dynamic theory of profits by Clark. In the theory, Clark posits that entrepreneurs earn profits through circumventing the dynamic circumstances that surround their business. The legislation plays a critical role in determining the social behavior of entrepreneurs as well as market
response as a result of policy changes (Miles, 2011). Further price changes as a result of taxation may significantly affect drinking patterns and the products on sale (Chauloupa, 2011). In Nzambara (2013), entrepreneur’s competences are largely defined by the entrepreneur’s ability to be innovative, manage finances and market for the enterprise products. Promotional activities are considered core to any business enterprise (Yasory, 2012). In promotion of alcoholic drinks and beverages, the strategy adopted by major manufacturers and distributors may significantly affect the level of promotion advantages enjoyed by small business.

From the empirical literature reviewed, there are divergent views as far as micro entrepreneurial environment and profitability of micro and small bar ventures in beverage industry are concerned. While it is apparent that legislation may have both positive and negative impact on profitability, the extent to which this has negated small bar enterprises has not been examined. While price changes as a result of taxation may affect profitability, it remains unclear how the change affects behavioral pattern of consumers of alcoholic products for small bar ventures. The extent of innovation and entrepreneurial competences is critical in maintaining profitability of small bar ventures; it is however unclear whether the impact of both formal and informal competences affects profitability of small bar ventures. Promotional activities are largely shaped by the available legislation of alcoholic drinks. Empirical studies reviewed however, do not provide an understanding of the extent to which reaction to legislation by major manufacturers trickle to micro and small bar ventures and how this affects profitability.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used during this study. The chapter starts with covering the research design, selection of case, target population, sampling procedures, data collection, data analysis and ethical considerations respectively. A step-by-step process was provided by the chapter on how the study was conducted from the point of planning, data collection and conclusion in assessing the topic of study.

3.2 Research Design

This study adopted a descriptive survey design. A survey design was further used to investigate the micro entrepreneurial environment and profitability of micro and small bar ventures in beverage industry in Kasarani Sub-county, Nairobi. A descriptive design research utilizes elements of quantitative research within a study. The descriptive design aims at discovering ‘what is’ and so observational and survey methods are frequently used to collect data. Descriptive designs are used by researchers to gather information, summarize, present and interpret for the purpose of clarification (Orodho, 2008). Further more a descriptive study allowed researchers to obtain information concerning the current status of a phenomenon to describe what exists with respect to the variables or conditions.
3.3 Target Population

The target population of this study was employees of 70 micro and small venture bar owners within distributed within Kasarani subcounty. According to Nairobi County office report (2015), Kasarani sub county has an average of 70 bar ventures. Kasarani Sub county was considered suitable case for this study because of the high number of small scale bars in the area and is easily accessible by the researcher. Table 3.1 provides summary breakdown of the target population.

Table 3.1 Target Population

<table>
<thead>
<tr>
<th>Sub county administrative unit</th>
<th>No of small bar enterprises</th>
<th>Total number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clay City</td>
<td>20</td>
<td>80</td>
</tr>
<tr>
<td>Mwiki</td>
<td>15</td>
<td>75</td>
</tr>
<tr>
<td>Kasarani</td>
<td>15</td>
<td>60</td>
</tr>
<tr>
<td>Njiru</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>Ruai</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>285</td>
</tr>
</tbody>
</table>

Source Nairobi County office: (2015)

3.4 Sampling Design

This study used stratified sampling technique to select participating respondents. According to Kothari (2010), stratified sampling technique entails grouping of the study participants into homogenous groups or sections and selecting a sample proportion from each section. In the case of the proposed study, population was stratified based on wards. The sample proportion was based on the number of ventures in each ward. Using a 70%
proportion of population to pick the study participants, a sample of 200 respondents
drawn from 70 micro and small bar ventures in Kasarani Subcounty was selected. Choice
of sample proportion was based on Mugenda (2010 and Kothari, 2011), recommendations
for sample size that indicates that at least 10% is adequate in social sciences study. This
has been summarised on table 3.2 below.

Table 3.2 Sample Size

<table>
<thead>
<tr>
<th>Sub county administrative unit</th>
<th>No of small bar enterprises</th>
<th>Total number of employees</th>
<th>Sample proportion</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clay City</td>
<td>20</td>
<td>80</td>
<td>70%</td>
<td>56</td>
</tr>
<tr>
<td>Mwiki</td>
<td>15</td>
<td>75</td>
<td>70%</td>
<td>53</td>
</tr>
<tr>
<td>Kasarani</td>
<td>15</td>
<td>60</td>
<td>70%</td>
<td>42</td>
</tr>
<tr>
<td>Njiru</td>
<td>10</td>
<td>30</td>
<td>70%</td>
<td>21</td>
</tr>
<tr>
<td>Ruai</td>
<td>10</td>
<td>40</td>
<td>70%</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>285</td>
<td>70%</td>
<td>200</td>
</tr>
</tbody>
</table>

Source: (Researcher, 2016)

3.5 Data Collection Instruments

Data collection is very important in any research. There are various methods of data
collection that can be used separately or combined. The study used semi structured
questionnaires as instruments of data collection. Questionnaires were best suitable in this
study because of the advantages associated with them. According to Mugenda (2010)
questionnaires are highly versatile, easy to conduct and convenient to work with. They
reduce researchers biasnessness as the researcher may minimise interference during data
collection process. The questionnaire had both closed and open ended questions. In the
closed section the respondents were required to pick one answer. The open section presented respondents with an opportunity to give their personal opinions and views on the questions asked (Ong'anya, 2010).

3.5.1 Validity
Validity describes the extent to which a research instrument measures what it purports to measure. According to Runddowns, (2010), it is the extent to which the interpretations of the results are warranted, which depends on the particular use the test is intended to serve. For the sake of this study, content and construct validity was used.

3.5.2 Reliability
Reliability evaluates the stability of measure, internal consistency of measurement processes and reliability of instrument scores. In order to produce useful results, the researcher ensured that the research instruments were reliable test re-test method was used to measure the reliability of the instruments. The method was suitable for this study as the researcher has adequate time to carry out the pre-test. The questionnaire was issued to same respondents two times. After the first administration, sometime was allowed to elapse, long enough to eliminate response by remembering responses given in the first round. The scores on the two sets of measures were then correlated to obtain an estimated coefficient of reliability. The coefficient was computed using the Karl Pearson’s product moment coefficient of correlation (r). The items was scored individually and aggregated to get the total score on the whole instrument for both test and pre-test administrations.
\[ r = \sqrt{\frac{n\sum xy - \sum x\sum y}{\{n\sum x^2 - (\sum x)^2\} \{n\sum y^2 - (\sum y)^2\}}} \]

Where \( r \) = Reliability coefficient

\( n \) = Number of respondents

\( x \) = Total scores of test administration

\( y \) = Total score of retest administration

The higher the value of \( r \), the higher the reliability of the research instrument used.

If the reliability coefficient of the research instrument is above 0.80, as recommended by McMillan,(2001) then the instrument was considered reliable enough.

### 3.5.3 Data collection procedures

The researcher sought permission to carry out his research from the County government of Nairobi city hall offices. Further, the Nairobi County Office through the local administration was also issued with a letter from the researcher for approval. The chiefs also had approval letters circulated to them to inform them of the researcher’s presence in their various localities. The letter contained the objectives of the study. Furthermore a letter was sent by the researcher to randomly select bar ventures to inform them of the researchers visit. The researcher further administered the questionnaire to the respondents and gave them a period of one hour to fill before collecting them back.
3.5.4 Ethical Considerations
This study considered all the research ethics and principles to ensure the success in achieving adequate responses from the participants. Ethical means principles of conduct that are considered acceptable to the society and especially those of a given group. The researcher was well aware of the principles as provided in the constitution and thus that the right procedures to get the best results out of the research. Ethical aspects of this study were effectively addressed as proposed by Kimmel (2007).

3.6 Data Analysis and Presentation
The researcher used both quantitative and qualitative techniques to analyse data. Qualitative data analysis involved explanation of information obtained from the empirical literature and open ended questions. Quantitative analysis involved use of numeric measures in establishing the scores of responses provided. This entailed generation of descriptive statistics after data collection, estimation of population parameters from the statistics, and making of inferences based on the statistical findings, with help of Statistical Package for Social Sciences (SPSS). The relationship between various micro-factors and profitability of small bar enterprises was determined through a multiple regression model of the form shown below:

\[ Y = \alpha + \beta_1 (X_1) + \beta_2 (X_2) + \beta_3 (X_3) + \beta_4 (X_4) + \epsilon \]

Where \( Y \) = Dependent variable (profitability), \( \alpha \) is to the constant, \( \beta \) is the coefficient of the non-tax legislation factors, \( \beta_2 \) micro entrepreneurial competences, \( \beta_3 \) is the coefficient of price changes as result of taxation, \( \beta_4 \) is the coefficient of promotional activities, \( \epsilon \) is the error.
X1 …X4 are the study’s independent variables that include tax legislation factors, micro-entrepreneurial activities, price changes as a result of taxation and promotional activities.

Strength of the relationship was determined by the value of \( r^2 \). The value of \( r^2 \) ranges from 0 to 1. Values of 0 shows no relationship, while 0.5 show moderate relationship and values above 0.7 show strong relationship.

The overall model fit was determined through ANOVA test that uses the value of F.

The statistical test of significance was performed at the 95% critical level. A p value less that 0.005 was considered significant and was used to reject or accept the null hypothesis.

The output of the study findings was presented in form of tables and charts. The results of the numerical data were then interpreted based on the research objectives and thereafter conclusion and recommendations made.
CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND RESULTS

4.1 Introduction

This chapter provides the presentation of the findings on the study of micro entrepreneurial environment and profitability of micro and small bar ventures in beverage industry in Kasarani Sub-county, Nairobi, Kenya. The analysis and discussion of the findings have been done as highlighted in the research methodology. The collected data was analyzed and presented in the form of statistic tables.

4.2 Results and Discussions

The results and discussion of the findings in this study have been segmented into background information about respondents and firm factors.

4.2.1 Background Information

The study background covers the sex, age range, designation and years of experience in the business. The findings are presented in tables below.

Table 4.1: Gender of Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>105</td>
<td>59.6%</td>
</tr>
<tr>
<td>Female</td>
<td>71</td>
<td>40.3%</td>
</tr>
<tr>
<td>Total</td>
<td>176</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: (Field data, 2016)
From the study findings 59.6% of the respondents were male while 40.3% were women. This implies that a large percentage of workers in small bar ventures in Kasarani are male. A total of 176 respondents were interviewed out of the 200 study sample. This was an 88% response rate which according to Kothari (2010) is sufficient for good analysis and reporting.

Table 4.2: Age of Respondents

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25 years</td>
<td>40</td>
<td>22.7</td>
</tr>
<tr>
<td>26-30 Years</td>
<td>38</td>
<td>21.5</td>
</tr>
<tr>
<td>31-35 Years</td>
<td>21</td>
<td>11.9</td>
</tr>
<tr>
<td>36-40 Years</td>
<td>26</td>
<td>14.7</td>
</tr>
<tr>
<td>41-45 Years</td>
<td>21</td>
<td>11.9</td>
</tr>
<tr>
<td>Over 45 Years</td>
<td>30</td>
<td>17.2</td>
</tr>
<tr>
<td>Total</td>
<td>176</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field data (2016)

The findings presented reveal that a total of 40 respondents fell in the age ranges of between 18-25 years, 38 were between 26-30 years, 21 between 31-35 years, 26 of the respondents were between 41-45 years and 30 of the respondents were above 45 years. These findings imply that a majority of the respondents were youthful population of 35 years and below.
Table 4.3: Designation

<table>
<thead>
<tr>
<th>Designation</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>87</td>
<td>49.4%</td>
</tr>
<tr>
<td>Business owner/ manager</td>
<td>89</td>
<td>50.6%</td>
</tr>
<tr>
<td>Total</td>
<td>176</td>
<td>100%</td>
</tr>
</tbody>
</table>

From the findings, 49.4% of the respondents were employees while 50.6% were business owners or managers. This suggests there was relatively equal participation from both designations provided in the study.

Table 4.4: Job Experience

<table>
<thead>
<tr>
<th>Experience</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 Years</td>
<td>95</td>
<td>51.1%</td>
</tr>
<tr>
<td>6-10 Year</td>
<td>51</td>
<td>27.4%</td>
</tr>
<tr>
<td>11-15 Years</td>
<td>20</td>
<td>10.8%</td>
</tr>
<tr>
<td>Over 15 Years</td>
<td>20</td>
<td>10.8%</td>
</tr>
<tr>
<td>Total</td>
<td>176</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data (2016)

The findings indicated that 51.1% of the respondents had been in the small bar business venture between 0-5 years. 27.4% of the respondents had between 6-10 years’ experience, 10.8% had been in the business between 11-15 years and a similar 10.8% had over 15 years’ experience in the business.

4.2.2 Non tax legislation and profitability of small bar businesses.

The table below presents the findings of non-tax legislations in relation to profitability of small bar ventures.
Table 4.5: Non-Tax Legislations

<table>
<thead>
<tr>
<th>Variable</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am aware of the provisions of alcoholic drinks &amp; Control Act in Kenya</td>
<td>13175.3</td>
<td>3922.42</td>
<td>1.1</td>
<td>2.1</td>
<td>0.0</td>
<td>174100.0</td>
</tr>
<tr>
<td>There are a set of rules and conduct for persons who get drunk around our premises</td>
<td>12974.1</td>
<td>3419.59</td>
<td>5.2</td>
<td>2.1</td>
<td>0.0</td>
<td>174100.0</td>
</tr>
<tr>
<td>Closure &amp; opening times in the act have greatly affected our business</td>
<td>13175.3</td>
<td>3419.55</td>
<td>2.9</td>
<td>4.2</td>
<td>0.0</td>
<td>174100.0</td>
</tr>
<tr>
<td>Alcoholic drinks act &amp; controls act has been a hindrance to our business</td>
<td>14162.5</td>
<td>2313.56</td>
<td>3.5</td>
<td>1.0</td>
<td>0.0</td>
<td>171100.0</td>
</tr>
<tr>
<td>It is costly for small bar ventures to implement the alcoholic drinks Act.</td>
<td>13880.2</td>
<td>2715.75</td>
<td>2.9</td>
<td>2.1</td>
<td>0.0</td>
<td>172100.0</td>
</tr>
<tr>
<td>Government regulations have negatively affected our business</td>
<td>14282.6</td>
<td>1810.59</td>
<td>5.2</td>
<td>1.0</td>
<td>2.1</td>
<td>172100.0</td>
</tr>
</tbody>
</table>

Source (Field data, 2016)

The table 4.5 above presents the findings of respondents on the effect of non-tax legislation on profitability of small bar business. On being aware of the provisions of the alcoholic drinks & control act, 131 strongly agree, 39 agree, 2 are neutral and 2 disagreed. The researcher sought to find out whether the small bar ventures have rules of conduct for persons who get drunk in their premises. 129 strongly agreed, 39 agreed, 9 were neutral and 2 disagreed. On whether the closure and opening times as stipulated by the drinks and control act had affected their way of doing business 134 strongly agree, 34 agree, 5 are neutral and 4 disagreed. 141 respondents strongly agree that the alcoholic
drinks and control act has been a hindrance in the expansion of their business, 23 agreed, 6 were neutral and 1 disagrees. 138 respondents strongly agree that it is a costly affair for small bar ventures to implement the alcoholic drinks and control act, 27 agree, 5 are neutral and 2 disagree. On whether government regulations set by the alcoholic drinks and control act negatively affected their business 142 strongly agree, 18 agree, 9 are neutral, 1 respondent agrees and 2 strongly disagree. The findings agree with various observations in the literature. According to Williams (2006), government can implement policy that changes behaviours in business. These could promote or poses a risk to business based on the direction of changes cause by the policy. Gardens et al (2008) noted that regulation have both positive and negative impact on growth of business. Positive benefits contributed by legislative policies could account for contribution of legislation towards profitability. This could include increased work life balance through increased time for entrepreneur’s family.

4.2.3 Effect of price changes as a result of taxation on profitability.

The researcher sought to find out whether effects of price changes as a result of taxation on affected profitability of micro and small bar ventures in the beverage industry. Findings are presented below in table 4.6
Table 4.6: Effect of Price Change as a Result of Taxation

<table>
<thead>
<tr>
<th>Variable</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have a single business license for our business.</td>
<td>F %</td>
<td>F %</td>
<td>F %</td>
<td>F %</td>
<td>F %</td>
<td>F %</td>
</tr>
<tr>
<td></td>
<td>63 37.7</td>
<td>2414.42414.448 28.7</td>
<td>8 4.8</td>
<td></td>
<td>167100.0</td>
<td></td>
</tr>
<tr>
<td>The process of acquiring permits makes operations difficult.</td>
<td>102 61.8</td>
<td>4327.77 4.2</td>
<td>1 0.6</td>
<td>1 0.6</td>
<td>165100.0</td>
<td></td>
</tr>
<tr>
<td>We often suffer losses due to tax compliance procedures.</td>
<td>75 44.9</td>
<td>5029.92414.417 10.2</td>
<td>1 0.6</td>
<td></td>
<td>167100.0</td>
<td></td>
</tr>
<tr>
<td>Tax administrative process is a challenge we face.</td>
<td>117 70.9</td>
<td>3823.05 3.0</td>
<td>5 3.0</td>
<td>0 0.0</td>
<td>165100.0</td>
<td></td>
</tr>
<tr>
<td>I file returns with the KRA</td>
<td>73 44.5</td>
<td>3420.7159 1.6</td>
<td>36 22.0</td>
<td>6 3.7</td>
<td>164100.0</td>
<td></td>
</tr>
<tr>
<td>Business license cost has gone down in last 3yrs.</td>
<td>20 12.0</td>
<td>169.62 57 34.1</td>
<td>53 31.7</td>
<td>167100.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand prices have gone down due to taxes.</td>
<td>24 14.5</td>
<td>1810.8106.0 47 28.3</td>
<td>67 40.4</td>
<td>166100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: (Field data, 2016)

From table 4.6 above, findings of the effects of price changes as a result to taxation are presented. 63 respondents strongly agree that they have a single business license for business activities, 24 agree, a similar 24 respondents are neutral, 48 disagree and 8 strongly disagree. The process of getting business permits making it difficult for to operate business, 102 respondents strongly agree, 54 agree, 7 are neutral, 1 disagree and 1 strongly disagree to this claim. 75 of the respondents strongly agree that they often suffer losses occasioned by tax compliance procedures, 50 agree, 24 are neutral, 17 disagree and 1 strongly disagrees. The researcher sought to establish whether tax administrative processes was one of the challenges faced when doing business 117 respondents strongly
agree to this, 38 agree, 5 are neutral and 5 disagree that tax administrative processes is one of the challenges faced when doing business. A total of 73 respondents strongly agree that they file returns with the Kenya revenue authority, 34 agree, 15 are neutral, 36 disagree and 6 strongly disagree. On asked whether business license costs have gone down over the last three years, 20 respondents strongly agree, 16 agree, 21 are neutral, 57 disagree and 53 strongly disagree. Lastly the researcher sought to establish whether the prices of brands had gone down due to cost of taxes. 24 strongly agree, 18 agree, 10 are neutral, 47 disagree and 67 strongly disagree. Changes in price cuts as a result of taxation in the literature were linked with profitability. Chaloupka (2011) notes that a decrease in alcohol consumption as a result of taxation could also be associated with malpractices in the alcohol sector. Gruelwald (2006) notes that a shift in drinking patterns from higher costs to lower costs which tends to shift income patterns among enterprise owners. Taxation according to Gmel (2008) affects high and moderate drinkers and lead to increased consumption of alcohol in sectors dominated by heavy drinkers.

4.2.4 Effect of micro entrepreneurial competencies on profitability

The researcher sought to investigate the effect of the micro entrepreneurial competencies on profitability of micro and small bar ventures in the beverage industry. Findings of the respondents are presented below.
Table 4. 7: Effect of Micro- Entrepreneurial Competencies

<table>
<thead>
<tr>
<th>Variable</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am well versed with experience to run this business.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>99 60.4</td>
<td>5332.3</td>
<td>127.3</td>
<td>0 0.0</td>
<td>0 0.0</td>
<td>164100.0</td>
</tr>
<tr>
<td>We have little employee turnover due to proper HR skills.</td>
<td>56 34.1</td>
<td>3118.9</td>
<td>412.5</td>
<td>32 19.5</td>
<td>4 2.4</td>
<td>164100.0</td>
</tr>
<tr>
<td>I am well equipped with financial management skills</td>
<td>73 44.5</td>
<td>7344.5</td>
<td>106.1</td>
<td>6 3.7%</td>
<td>2 1.2</td>
<td>164100.0</td>
</tr>
<tr>
<td>I am able to mobilize resources and make profits for my enterprise</td>
<td>46 28.0</td>
<td>4829.3</td>
<td>2615.9</td>
<td>40 24.4</td>
<td>4 2.4</td>
<td>164100.0</td>
</tr>
<tr>
<td>Business management skills has been a challenge for our firm</td>
<td>96 58.9</td>
<td>3622.1</td>
<td>138.0</td>
<td>17 10.4</td>
<td>1 0.6</td>
<td>163100.0</td>
</tr>
<tr>
<td>Optimum resource management has ensured optimum profits</td>
<td>84 51.5</td>
<td>4225.8</td>
<td>3119.0</td>
<td>5 3.1</td>
<td>1 0.6</td>
<td>163100.0</td>
</tr>
<tr>
<td>I have undergone training on how to run this business</td>
<td>48 29.4</td>
<td>2616.0</td>
<td>106.1</td>
<td>70 42.9</td>
<td>9 5.5</td>
<td>163100.0</td>
</tr>
</tbody>
</table>

Source (Field Data, 2016)

The table above presents the findings on micro entrepreneurial competencies on profitability of micro and small bar ventures. 60.4% of the respondents strongly agree that they are well versed with necessary experience to run the business, 32.3% agree and 7.3% are neutral. On whether they had little employee turnover due to the human resource management skills 34.1% strongly agree, 10.9% agree, 25.0% neutral, 19.5% disagree and 2.4% strongly disagree. 44.5% of the respondents strongly agree that they are well equipped with financial management skills, 44.5% agree, 6.1% were neutral, 3.7% disagree and 1.2% strongly disagree. The researcher sought to establish whether the respondents were able to put together all the resources under their disposal and make a
profit, 28.0% strongly agree, 29.35 agree, 15.9% are neutral, 24.4% disagree and 2.4% strongly disagree. 58.9% of the respondents strongly agree that business management skills have been one of the challenges they have faced, 22.1% support this claim by agreeing, 8.0% were neutral, 10.4% disagree and 0.6% strongly disagree. Optimum management of resources has ensured optimum profits for their business. In response to this, 51.5% of the respondents strongly agree, 25.8% agree, 19.0% are neutral, 3.15 disagree and 0.6% strongly disagree. 29.4% of respondents strongly agree that they have undergone training on how to run this kind of business, 16.0% agree, 6.1% are neutral, 42.9% disagree and 5.5% strongly disagree.

According to Nzamabara (2013), most entrepreneurs running small businesses have limited business skills especially the ability to recognize business opportunities, being innovative and communicating effectively in business transactions. Cowling, (2003) underscore the role of human capital in understanding of what makes entrepreneurs and whether or not people who do not choose an entrepreneurial career path are successful. He noted that informal human capital was more important in the entrepreneurial sector than waged sector. In a study to examine the relationship between training and competence and small medium sized enterprises, in Kenya, the study findings indicated that lack of basic skills in business management and entrepreneurship seemed to be a drawback in the growth and development of small enterprise sector. Although business training had positive effects on entrepreneurs, the value that entrepreneurs attached to the importance of training was considered important. While most entrepreneurs value training, the study findings show that majority of them cannot afford it.
4.2.5 Effect of promotional Activities

The researcher sought to establish the effect of promotional activities on profitability of micro and small bar ventures in the beverage industry. Findings are presented below.

Table 4.8: Effect of Promotional Activities

<table>
<thead>
<tr>
<th>Variable</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am aware of promotional activities that is should engage my business.</td>
<td>99 60.4</td>
<td>5332.3127.3</td>
<td>0 0.0</td>
<td>0 0.0</td>
<td>166100.0</td>
<td></td>
</tr>
<tr>
<td>Involvement in promotions has enhanced profitability</td>
<td>112 67.9</td>
<td>4024.26</td>
<td>3.6 6</td>
<td>3.6 1</td>
<td>0.6 165100.0</td>
<td></td>
</tr>
<tr>
<td>Undertaking promotional activities based on regulations has enhanced profitability</td>
<td>57 34.5</td>
<td>3621.82515.246</td>
<td>27.9</td>
<td>1</td>
<td>0.6 165100.0</td>
<td></td>
</tr>
<tr>
<td>Costly involvement in promotions has enhanced profitability</td>
<td>73 44.0</td>
<td>4124.7148.4</td>
<td>37 22.3</td>
<td>1</td>
<td>0.6 166100.0</td>
<td></td>
</tr>
<tr>
<td>Frequent price cuts has enhanced profitability</td>
<td>61 36.7</td>
<td>2615.7148.4</td>
<td>62 37.3</td>
<td>3</td>
<td>1.8 166100.0</td>
<td></td>
</tr>
<tr>
<td>We hardly undertake any promotions due to government Regulations and costs</td>
<td>108 65.1</td>
<td>2112.7148.4</td>
<td>20 12.0</td>
<td>3</td>
<td>1.8 166100.0</td>
<td></td>
</tr>
</tbody>
</table>

The findings indicate that 99 of the respondents strongly agreed to be aware of the promotional activities they should engage in for their business, 53 agreed and 12 were neutral. 112 respondents strongly agree that involvement in promotional activities had enhanced profitability in business, 40 agreed, 6 were neutral, 6 disagreed and 1 strongly disagreed. The researcher sought to establish whether undertaking of promotional activities based on set regulations had enhanced profitability, 57 strongly agreed to this, 36 agreed, 25 were neutral, 46 disagreed and 1 strongly disagreed. 73 respondents
strongly agree that the costly involvement in promotional activities has enhanced profitability, 41 agreed, 14 were neutral, 37 disagreed and 1 strongly disagreed. On inquiry whether frequent price cuts had enhanced profitability, 61 strongly agreed, 26 agree, 14 were neutral, 62 disagreed and 3 strongly disagreed. The researcher sought to establish whether the respondents hardly undertook promotions due to government regulations and the costs involved, 108 of the respondents strongly agreed, 21 agreed, 14 were neutral, 20 disagree and 3 strongly disagreed. According to Yasony (2012), promotion is one of the key factors in marketing mix that probably plays a key role in market success. It is used to ensure that consumers are aware of the products that the organization is providing and seeks to establish communication relationship between what the organization is offering and public. Adhiambo (2012) revealed that a positive correlation existed between promotional strategies and sales performance. Murugai, (2003), recognized the importance of promotional activities in influencing performance.

4.3 Micro entrepreneurial environment and profitability of micro and small bar ventures

Regression analysis in this study sought to establish the link between the micro entrepreneurial environment and profitability of micro and small bar ventures in the beverage industry. Data variables were obtained from the questionnaire, where an average was computed based on each variable. The results have been presented in model summary, ANOVA test and summary of coefficients of youth and parents questionnaire respectively
Table 4.9: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.215$^a$</td>
<td>.046</td>
<td>.025</td>
<td>.65279</td>
</tr>
</tbody>
</table>

$a$. Predictors: (Constant), Effect of promotional activities, Non tax legislation, Micro-entrepreneurial competencies, effect of price change as a result of taxation.

Source: Field Data (2016)

Adjusted R squares is coefficient of determination which indicates the variation in the dependent variable due to changes in the independent variable. Table 4.9 above indicates the value of adjusted R squares as 0.025, an indication that there was a variation of 2.5% on profitability of micro and small bar ventures in the beverage industry as a result of promotional activities, non-tax legislation, entrepreneurial competencies and price changes. According to the analysis there was a weak relationship between the study variables as shown by the coefficient 0.215.

Table 4.10: Summary of ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.754</td>
<td>4</td>
<td>.938</td>
<td>2.202</td>
<td>.000$^b$</td>
</tr>
<tr>
<td>1 Residual</td>
<td>77.129</td>
<td>181</td>
<td>.426</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>80.883</td>
<td>185</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$a$. Dependent Variable: Profitability of micro and small bar ventures in beverage industry

$b$. Predictors: (Constant), Effect of promotional activities, Non tax legislation, Micro-entrepreneurial competencies, effect of price changes as a result of taxation.

Source: (Field Data, 2016)
From the ANOVA analysis results on table 4.11 the independent variables have combined significant influence on profitability of micro and small bar ventures in beverage industry in Kasarani sub-county given the overall P value is 0.000<0.05. The processed data had a 0.00 significance level which implies that the data is not ideal for making a conclusion on the parameters as value of significance is greater than 0.05.

**Table 4.11: Summary of Co-efficients**

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.783</td>
<td>.142</td>
<td>12.579.000</td>
<td></td>
</tr>
<tr>
<td>Non-tax legislation on profitability of small bar businesses</td>
<td>.148</td>
<td>.097</td>
<td>.123</td>
<td>1.531 .128</td>
</tr>
<tr>
<td>Effect of price changes as a result of taxation</td>
<td>.063</td>
<td>.075</td>
<td>.091</td>
<td>.837 .404</td>
</tr>
<tr>
<td>Micro Entrepreneurial competencies on profitability</td>
<td>.081</td>
<td>.081</td>
<td>.105</td>
<td>.995 .321</td>
</tr>
<tr>
<td>Effect of promotional Activities</td>
<td>-.052</td>
<td>.088</td>
<td>-.062</td>
<td>-.589 .556</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Profitability of micro and small bar ventures in beverage industry.

Source (Field Data; 2016)

The coefficient of regression in this study indicated that the model had a constant of 0.000 which is statistically significant at a 95% confidence level. Given the constant is significant it was included in the regression model. On-tax legislation had a coefficient of 0.148 which was statistically significant given that p value is 0.000<0.05. Given the variable was significant it was dropped from the regression model. Effect of price changes as a result of taxation had a statistically significant effect on the profitability of
micro and small bar ventures in the beverage industry as indicated by p value 0.000< 0.005. As presented in the table above the variable had a coefficient of 0.063. Given the variable was significant it was dropped from the regression Model further review of p value indicated that micro entrepreneurial competencies had a co-efficient of 0.081 statistically significant at 95% confidence level. The variable was dropped from the regression model given it was insignificant. The table above shows that the effect of promotional activities had a coefficient of -0.052 at 95% confidence level. Regression results revealed that profitability of micro and small bar ventures was partly attributed to legislation at a coefficient of 0.148, price cuts as a result of taxation at a coefficient of 0.063, entrepreneurial competence at a coefficient of 0.081 and promotional activities at a coefficient of 0.052. Notable for the study findings is the low correlation coefficients of the study variables with profitability of small bar ventures in Kasarani.

4.4 Discussion of the Findings

The study sought to investigate the micro entrepreneurial environment and profitability of micro and small bar ventures in beverage industry in Kasarani sub-county, Nairobi. Based on the finding sit is evident that most small bar actors are male indicating that the small bar venture business is mostly dominated by men. The findings further revealed the age ranges with 40 being between 18-25 years old, 3 between 26-30 years, 21 between 31-35, 26 between 41-45 and 30 over 45 years old. This implies that majority of the respondents are a youthful population of 35 and below. Business experience in the venture were presented as 51.1% of the respondents having between 0-5 years’ experience, 27.4% had between 6-10 years, 10.8% between 11-15 years and 10.8% b
over 15 years. This implies that majority of the respondents had relatively new to the venture with 0-5 years of experience.

The regression results indicate that the micro-entrepreneurial environment varies by 2.5% as a due to changes in profitability of micro and small bar ventures in the beverage industry in Kasarani Sub-County. A weak co-relation of 0.215 on the study variables was found which implies that the micro entrepreneurial environment weakly influences profitability of micro and small bar ventures in the beverage industry. Based on this observation, it can be said that the micro entrepreneurial environment play a minimal role in the profitability of micro and small business ventures in the beverage industry.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides summary of the findings and conclusion to the study; the micro-entrepreneurial environment and profitability of micro and small bar ventures in the beverage industry. The summary of the findings have been provided with reference to non-tax legislation, price changes as a result of taxation, micro entrepreneurial competencies and promotional activities.

5.2 Summary of Findings

The response rate for the study was 88% which was judged as very good for analysis and reporting. There was a higher proportion of men as opposed to women who participated in the study. Men were 59.6% of the respondents while women were 40.3%. This implied that most people in the small bar venture in the beverage industry were male. The findings further revealed that most of the respondents were a youthful population of 35 and below. Findings also revealed that most respondents had 0-5 years of experience in the business with over half having 0-5 years, while less than a quarter had over 15 years’ experience in business.

On the question of the effect of non-tax legislation on profitability of small bar ventures, majority of respondents strongly agreed that they were aware of provision of alcoholic drinks and control act in Kenya, majority agreed that there were set rules and conduct for persons who got drunk in their business premises, majority indicated that closure and
opening time act had greatly affected their business, most of the respondents indicated that alcoholic drinks act and control act was an hindrance to business. Over three quarters said that it was costly for small bar ventures to implement the alcoholic drinks acts, while majority indicated that the government non tax legislations had affected profitability of their business. Non tax legislation was found to contribute at 14.8% towards the profitability of small bar ventures.

On the question of the effect of price changes as a result of taxation on profitability of small bar ventures, majority of the respondents strongly agreed that they had single business licence for their businesses, most of the respondents strongly indicated that the process acquiring permits made business operations difficult, majority said that they suffered losses due to tax compliance procedures, Majority strongly indicated that tax administration process was a challenge to face, while less than half majority brand prices had gone down due to taxes. Changes in price cuts as a result of taxation were in the study found to have a contribution of 6.3% towards profitability of small bar ventures.

On the question of the effect of entrepreneurial competences on profitability of small bar ventures, the study findings showed that majority of respondents were well versed wit experience to run their business, indicated that they had slow rate of employee turnover due to proper human resource skills, majority agreed that they were well equipped with financial management skills, majority indicated that they were able to mobilize resources and make profits for their enterprises, majority indicated that business management skills had been a challenge for their firm, while most of the respondents indicated that they had undergone training on how to do business. Entrepreneurial competence had contribution
of 8.1% according to the study findings. Observations from the literature concur with this low level of contribution

On the question of the effect of promotional activities on profitability of small bar ventures, the study finding indicated that majority of respondents were aware of promotional activities that they should engage in their businesses, Over 50% majority showed that involvement in promotional activities enhanced profitability, while slightly more than a quarter showed that undertaking promotional activities based regulations enhanced profitability, majority showed that cost involvement in promotions enhanced profitability, majority indicated that frequent price cuts enhanced profitability. Over 50% of the respondents strongly agreed that they had undertaken promotions due to government promotions and tax. Promotional activities were found to have a less than a quarter % contribution towards profitability of small bar ventures. These findings related to contributions of promotional activities highlighted in the literature.

5.3 Conclusion

The study sought to investigate the micro entrepreneurial environment and profitability of micro and small bar ventures in the beverage industry in Kangemi Sub-County. The study findings show that micro enterprenuerial environment has very low contribution towards the profitability of small bar ventures in Kasarani subcounty. This could be an implication of the unexploited potential of entrepreneurial environment. While the study cannot deny the existence of micro entrepreneurial environment and the role it plays in business profitability, the study findings show that most entrepreneurs might not be focusing more on how the environment is affecting profitability of their businesses.
Legislation has the highest cocontribution of 14.8% according to the study findings. This means that the consumption of alcoholic beverages is largely determined by the available legislative framework that further defines the extent of profitability of small bar venture. The current legislative framework available in the country seem to have had a major blow on profitability of small bar ventures. Price cuts as a result of taxation can increase profitability of small bar ventures as a result of increased consumption. However, the study findings record very low contribution of price cuts towards profitability. This could be an indicator that there have been no significant price cuts that have impacted how small bar businesses operate. Lack of business managerial skills could be attributed to low contribution of entrepreneurial competences towards profitability. As established in the finding, lack of business managerial skills, could be synonymous with lack of innovativeness that is so highly required in small business.

Most small businesses do not do promotions as per the study findings. According to the primary findings promotional activities contribute to 5.2% of profitability of small bar ventures. This means that an increased promotion could enhance the level of profitability. Notably, the findings indicate that the micro entrepreneurial environment has weak influence on profitability of micro and small bar ventures in beverage industry. This explains why the variables have a low correlation coefficient with profitability of micro and small bar ventures in beverage industry. Based on the findings non tax legislation, price changes, micro entrepreneurial competencies and promotional activities cannot be used to determine profitability of these ventures.
5.4 Recommendations

Based on the study findings, the following was recommended;

There is need to enforce regulations that promote participation in business by small bar ventures. This could be done by legalizing common liquors that are sold informally while navigating through available legislation. There is need for the government to promote training and mentorship training among small enterprises. This will ensure that they have the necessary skills and innovation to remain competitive and sustainable in the market. There is for major liquor manufacturing companies to increase their level of promotions. This will ensure consumers of alcoholic beverages sold by small bar ventures are aware of the availability of the products.

5.4.1 Recommendation for Further Study

The study establishes little but significant contribution of micro entrepreneurial activities towards profitability of small bar enterprises. This could partly be emanating from entrepreneurs lack of ability as far as dealing with micro entrepreneurial activities is concerned. It is therefore important that a further study be carried out to establish entrepreneurial factors affecting profitability of small bar ventures in Kasarani Sub County, further, a similar study could be carried out to establish the effect of micro entrepreneurial environment on profitability of other small enterprises in other sectors of the economy.
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APPENDICES

Appendix I: Introduction Letter

Dear Respondent,

Njue Charles

P.0 Box …………..

Kenyatta University

TO WHOM IT MAY CONCERN

Dear Madam / Sir

I am a student at Kenyatta University undertaking a master’s degree in Business Administration (Entrepreneurship). As part of addressing problems in my area of specialization, I am undertaking on “Micro entrepreneurial environment and profitability of micro small bar ventures in beverage industry in Kasarani sub – county-Nairobi Kenya” I have identified your venture as a suitable source of information for this study. I therefore seek your consent to collection data in your company.

Yours faithfully,

Njue Charles
Appendix II: Questionnaire

Dear Respondent,

I am a Master of Business Administration (MBA) student at Kenyatta University Nairobi, undertaking an academic research on the topic; “Micro entrepreneurial environment and profitability of micro small bar ventures in beverage industry in Kasarani sub – county-Nairobi Kenya”. As such, your venture has been selected as a suitable source of information for the study. I therefore request for your participation in responding to the questionnaire items provided. Please note that there is no right or wrong answer. All information provided will be treated with utmost confidentiality.

Section A: Background Information

Please answer the following questions sincerely putting a tick (✓) where appropriate and filling in the spaces.

1. Kindly indicate your sex
   a. Male
   b. Female

2. What is your age?
   a. 18 – 25 years
   b. 26 – 30 years
   c. 31-35 Years
   d. 36- 40 Years
   e. 41 – 45 years
   f. Over 45 years

3. What is your designation in this business?
   a. An employee
   b. Business Owner/ Manager

4. How long have you been in this business?
   a. 0- 5 years
   b. 6-10 years
   c. 11- 15 years
d. Over 15 years  

SECTION B: PROFITABILITY OF SMALL ENTERPRISES DEALING WITH BAR VENTURES

5. How would you rate the profitability of your business?
   a. Very profitable  
   b. Profitable  
   c. Moderately profitable  
   d. Unprofitable  
   e. Not profitable at all  

6. Have you been able to open new branches since your started operating?
   a. Yes  
   b. No  

7. If yes in question 6 above, was the branching as a result of the profits you ploughed back to business?
   a. Yes  
   b. No  
   c. Please explain .................................................................

8. Kindly list some of the factors that have contributed profitability of your business?
   a. ...........................................................................................
   b. ...........................................................................................
   c. ...........................................................................................
   d. ...........................................................................................

SECTION C: FACTORS AFFECTING PROFITABILITY OF SMALL ENTERPRISES DEALING WITH BAR VENTURES

Effect of non tax legislation on profitability of small bar businesses
9. Please indicate the extent to which you agree with the following: Use 1: Strongly Agree 2: Agree 3: Undecided 4: Disagree 5: Strongly Disagree

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<tr>
<th>Statement</th>
<th>1</th>
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<tbody>
<tr>
<td>a. I am aware of the provisions of alcoholic drinks and control Act in Kenya</td>
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<td>b. We have set of rules of conduct for persons who get drunk around our premises</td>
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<td>c. The times of closure and opening of business as stipulated by alcoholic drinks and control Act have affected our way of doing business</td>
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<td>d. The alcoholic drinks and control Act has been an hindrance in the expansion of our business</td>
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<td>e. It is a costly affair for small bar ventured to implement the Alcoholic drinks and control Act</td>
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<td>f. Government regulations as set by alcoholic drinks and control Act have negatively affected our business</td>
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Effect of price changes as result of taxation on profitability

10. Please indicate the extent to which you agree with the following: Use 1: Strongly Agree 2: Agree 3: Undecided 4: Disagree 5: Strongly Disagree

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<tbody>
<tr>
<td>a. We have only a single business license for our business activities</td>
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<td>b. The operation of getting business permits make it difficult for us to operate our business</td>
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<td>c. We often suffer losses occasioned by tax compliance procedures</td>
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<td>d. Tax administrative process in one of the challenges that we face in doing business</td>
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<td>e. I do file returns with the Kenya Revenue Authority</td>
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<td>f. Business license cost has gone down over the last three years</td>
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Effect of entrepreneurial competences on profitability

11. Please indicate the extent to which you agree with the following: Use 1: Strongly Agree 2: Agree 3: Undecided 4: Disagree 5: Strongly Disagree

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</thead>
<tbody>
<tr>
<td>a. I am well versed with necessary and experience to run this business</td>
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<td>b. We have little employee turnout due to proper human resource management skills</td>
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<td>c. I am well equipped with financial management skills</td>
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<td>d. I am able to put together all the resources under my disposal and make profit for my enterprise</td>
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<td>e. Business management skills has been one of the challenges that our firms has faced</td>
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<td>f. Optimum management of resources has ensured that we make optimum profits for our business</td>
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<td>g. I have undergone training on how to run this kind of business</td>
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Effect of Promotional Activities

12. Please indicate the extent to which you agree with the following: Use 1: Strongly Agree 2: Agree 3: Undecided 4: Disagree 5: Strongly Disagree

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<tbody>
<tr>
<td>a. I am aware of promotional activities that I should be engaged for my business</td>
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<td>b. Involvement in promotional activities has enhanced profitability of our business</td>
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<td>c. Undertaking of promotional activities based on set regulations has enhanced our profitability</td>
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<td>d. Costly involvement in promotional activities has reduced our profitability</td>
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<td>e. Frequent price cuts has one of our promotional activities has enhanced our profitability</td>
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<td>f. We hardly undertake any promotions due to government regulations and the costs involved.</td>
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</table>
13. What other factors in your view have affected the profitability of your enterprise?
   i. ........................................................................................................
   ii. ........................................................................................................
   iii. ........................................................................................................
   iv. ........................................................................................................

   End

   Thank you for your participation.