CREDIT, ENTREPRENEURSHIP TRAINING AND PERFORMANCE OF MICRO AND SMALL ENTERPRISES IN NAKURU COUNTY, KENYA

RAHAB WANJIRU MWANGI

A Research Project submitted to the department of Economic Theory, in the School of Economics in partial fulfilment of the requirements for the award of the degree of Master of Economics (Policy and Management) of Kenyatta University.

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DECLARATION

This research Project is my original work and has not been presented for award of a degree in any other University or any other award.

Sign.....Date:..10th August, 2020

RAHAB WANJIRU MWANGI (BSc ECONOMICS AND STATISTICS), Kenyatta University

K102/PT/CTY/27458/2013

I confirm that the work reported in this research project was carried out by the candidate under my supervision.

Sign…….....Date ……

Dr Mwiathi Peter Silas,

Lecturer, Department of Economic Theory.

Kenyatta University

Nairobi, Kenya

DEDICATION

To my loving and supportive parents Jonathan and Lily Mwangi.

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ABBREVIATIONS AND ACRONYMS

CBK-Central Bank of Kenya

CIDP- County Integrated Development Plan

GDP- Gross Domestic Product

ILO - International Labour Organization

JLB- Joint Loans Board

KIBT-Kenya Institute of Business Training

KNBS - Kenya National Bureau of Statistics

KYEOP-Kenya Youth Employment and Opportunities Project

MFIs –Micro Finance Institutions

MSEs – Micro and Small Enterprises

MSEA - The Micro and Small Enterprises Authority

MSME – Micro, Small and Medium Enterprises

NGOs- Non-Governmental Organisations

OECD- Organisation for Economic Co-operation and Development

SDGs-Sustainable Development Goals

STRYDE-Strengthening Rural Youth Development through Enterprise

WEF-Women Enterprise Fund

YEDF-Youth Enterprise Development Fund

OPERATIONAL DEFINITION OF TERMS

Credit- refers to the amount of money, goods or services received with expectation of future payment. This will be measured in Kenyan shillings

Entrepreneurship training - equipping business owners with managerial, financial and marketing skills to grow their enterprises.

MFI – These are Microfinance Institutions. These are financial institutions specializing in giving small loans to MSEs.

MSE –Micro and small enterprises refer to firms whose annual turnover does not exceed five million Kenyan shillings and employs less than fifty people

Performance – This is the achievement of the MSEs in terms of their average output or revenue. It is an indication of their profitability as well as survival and growth.

ABSTRACT

Micro and Small enterprises are widely recognised for their role in industrialization and economic growth across the globe. In Kenya, the government has initiated a number of strategies aimed at promoting small-scale enterprises notably the Uwezo and Women Enterprise Fund. Despite many initiatives by the government and other organisations, research has revealed that 60 percent of small enterprises fail within three years of being in operation, their ability to survive the market conditions being very low. Research has also shown that a large number of small enterprises experience growth challenges and limitations with a majority closing down. MSEs face numerous challenges, notably, limited access to credit, lack of entrepreneurship skills, low uptake of new technologies, and gender of the entrepreneur, among others. This study was carried out in Nakuru County to determine the effect of credit accessibility and entrepreneurial training on the performance of MSEs. The objectives of the study were to determine the effect of credit availability on the performance of Micro and small enterprises, and secondly, to examine the effect of entrepreneurship training on the performance of micro and small enterprises in Nakuru County. This research used a non-experimental research design. The empirical model was based on Cobb-Douglas equation to estimate the relationship between credit, entrepreneurship training and output as factors of production. A linearized logarithmic regression model was applied to determine the effect of each of the two variables on MSEs' performance. A sample of 248 MSEs from a target population of 118,200 in Nakuru County was selected and a self-administered questionnaire administered to the entrepreneurs. Reliability of the questionnaire was determined using Cronbach alpha and found to be 0.72. Collected data was analysed using STATA data analysis programme and diagnostic tests carried out to test for Multi-collinearity and Normality. Some moderator variables such as age, gender, level of education and number of years of operation were analysed and descriptive statistics used to illustrate their individual effect on the performance of the enterprise. Data analysis results showed that both access to credit and entrepreneurship training have a positive significant effect on the performance of MSEs in Nakuru County. Therefore, the government and other stakeholders should aim at availing both affordable and accessible credit, as well as entrepreneurship training targeted at small and micro entrepreneurs. The Central bank, in collaboration with commercial banks, should loosen their borrowing terms by lowering their collateral requirements and interest rates on loans to micro and small enterprises. The mobile banking industry should be regulated to cap the interest rates levied on loans and also to increase the amount that can be loaned out. The government should further initiate training programs geared towards imparting entrepreneurship skills on the MSE population.

CHAPTER ONE

INTRODUCTION

1.1 Background

Micro and Small enterprises (MSEs) drive economic growth and are invaluable in achieving development goals both in developing and developed countries. They contribute to local economies by being sources of employment, public revenue and help promote equity and foster innovation. In Kenya, Muturi (2015) noted MSEs contributed to the economy by growing the Gross Domestic Product (GDP), facilitating the transfer of appropriate technology and promoting gender empowerment and equity. The Kenya National Bureau of Statistics (KNBS) (2016) reported that 14.9 million persons were engaged in this sector, proving the magnitude of the sector and the need for the government to support its growth.

Entrepreneurship serves as a major tool in achieving The Sustainable Development Goals (SDGs) to eradicate poverty and promote gender equality. Entrepreneurship enhances equity by providing lucrative opportunities to socially disadvantaged groups like women, the disabled and unemployed youth. Entrepreneurship is also observed to reduce the rate of recidivism by offering opportunities to ex-offenders who would otherwise not be marketable in the job market. Notably, Nafisika Trust, a non-governmental organisation (NGO), has undertaken a prison entrepreneurship initiative in Kenya noted to reduce the rate of recidivism in the country. As a result, entrepreneurship is widely viewed as a tool for the achievement of development goals like Kenya Vision 2030 as it not only encourages economic growth but it also improves the standards of living of people.

However, according to the Deloitte Kenya Economic Outlook (2016), MSEs face numerous challenges, notably, limited access to credit, lack of entrepreneurship skills, and low uptake of new technologies, among others. A gap in the small business-financing sector exists due to the inability of these firms to attract investors and their lack of creditworthiness. The lack of entrepreneurship skills is also a dominant growth factor of MSEs. The Organisation for Economic Co-operation and Development (OECD, 2016) noted that lack of skills limits a firm's ability to adopt new technologies, which are important to staying competitive. Financial support is imperative, however non-financial support such as training, mentorship and business incubators improve the performance of MSEs. Notably, the Barclays Business Club established in 2003 has seen to the establishment of numerous businesses in the country through incubation and mentorship training.

The government of Kenya is tasked to provide supportive monetary and fiscal policies, financial resources and improve the education and training quality in the country for MSEs to thrive. Notable government initiatives include partnership with The International Labour Organisation (ILO) and other social partners to promote "green entrepreneurship" and skill training geared towards increased performance, competitiveness and growth of MSEs. Green entrepreneurship is a type of business that creates sustainable jobs and incomes while protecting the environment. It has minimal negative impact on the global or local environment, community, society or economy.

In addition, the government established the Micro and Small Enterprises Authority (MSEA) in 2012, with the aim of improving the MSE sector through supportive policies and regulations. In addition, in partnership with the World Bank, the Kenya Youth Employment and Opportunities Project (KYEOP) was implemented in 2016 with the aim of increasing youth employment through entrepreneurship skills training.

1.2 Credit Access by MSEs in Kenya

According to Schoof (2006), affordable short-term loans are proven to improve the profitability of a business; however, small entrepreneurs have limited access to sources of credit, because they often lack sufficient credit history and collateral. These factors also hinder their ability to attract external sources of financing like venture capital and commercial bank loans. The pecking order theory that explains an entrepreneur's preference for the cheapest source of financing supports the need for more affordable sources of credit for entrepreneurs.

Traditional banking methods are not suited to the unique needs of these enterprises that require low cost financing and fewer collateral requirements. A gap in MSE financing is therefore apparent and the need arises for the establishment of financial institutions specifically targeted to MSEs. Wairimu (2017) notes that the establishment of Micro finance institutions (MFIs) helped to fill the gap left by banks in financing the low-income population mainly consisting of MSEs. In addition, the enactment of the movable property security rights act in 2017, permitting the use of log-books as collateral for credit facilities; led to the establishment of numerous logbook-based loans offered by MFIs around the country. This move has exponentially increased the uptake of credit by small entrepreneurs and seen to increased innovations in the small business-financing sector. The need for suitable and accommodative financial products targeted at MSEs is necessary for their success.

The Government of Kenya has established government funds in an effort to combat the issue of low MSE financing. These are the Youth Enterprise Development Fund (YEDF) established in 2007, The Women Enterprise Fund (WEF) in 2007; and The Uwezo Fund established in 2013. These funds were created with the aim of availing low cost financing to small entrepreneurs predominantly the youth and women, aimed at reducing the

unemployment rate and building the economy. Despite these efforts, the uptake of these funds remained low, reportedly due to the group-lending system and high default rate on loan repayment. Due to the rotating nature of the fund, the low repayment rates meant fewer funds were available to be disbursed to other borrowers. The issue of corruption and misappropriation of funds by fund administrators is also noted as a major impediment to the success of these funds. Thus, recently, the government proposed a consolidated fund, the new Biashara Fund, proposed to have a lower interest rate and fewer security requirements targeted at small business financing. The effects of which are yet to be assessed.

Mobile banking in the country has stood out as a source of fast and readily available loans for entrepreneurs with minimal security and collateral requirements. This method of financing is becoming popular due to its reach and low operating costs for financiers. Services like M-PESA have been revolutionary in easing business transactions and promoting business. Mobile loan applications like TALA have also helped to increase the access to credit by people however; these loans are reported to have high interest rates and short repayment periods making them unsuitable for small entrepreneurs. The Central Bank of Kenya (CBK) established the new mobile loan application named Stawi in 2019 targeted at MSEs Financing; to be run by five commercial banks in the country. The fund is proposed to have lower interest rates and collateral requirements.

According to Cowan (2019), the financing gap in small enterprise financing popularly referred to as the 'missing middle' in Kenya persists despite developments in micro financing and government initiatives. The gap exists predominately due to investor's risk aversion; as they give preference to high performing enterprises, and a lack of suitable financial products. Lower interest rates, security and collateral requirements on lending are recommended for the bridging of this gap.

1.3 Entrepreneurship Training

Entrepreneurship training refers to programs geared towards the development of entrepreneurial competencies, skills and knowledge in business owners. Entrepreneurship training when integrated into formal and vocational education systems stimulates the cultivation of an entrepreneurial culture in the labour market. Training equips an entrepreneur with the ability to identify niche markets, market their business, and manage finances and business operations, as observed by the Entrepreneurs Hub, a business incubator focused on MSEs in Kenya.

Kariuki and Omwenga (2017) observed that the success of MSEs greatly hinged on their ability to access financing, however entrepreneurship training also played an invaluable role. Entrepreneurs with basic training in management and financial literacy fared better in the market place. Hence, a key factor in promoting the performance of MSEs in Kenya is by offering better quality education and training. In addition, it is observed that educated and skilled managers are more likely to license their businesses and pay taxes thereby increasing the taxable capacity of their local economies.

Around the world, the integration of entrepreneurial education and training in formal education systems has seen to increased economic growth. The European Community (1999), instilled entrepreneurship education and training as an important European Union objective. Also notably, The Entrepreneurship 2020 Action Plan implemented in 2013 in Europe, geared towards entrepreneurship education and training with the aim of fostering an entrepreneurship culture. Entrepreneurship training is hereby viewed as an invaluable tool for promoting economic growth through the fostering of entrepreneurial attitudes.

In Kenya, the government established the Kenya Institute of Business Training (KIBT) in 1966 whose core functions were to provide Entrepreneurial Training to MSME operators

and other interest groups, to provide Counselling and Extension Services to MSME operators, to conduct business-based research and consultancy for MSMEs and other stakeholders, and to organize tailor-made training programmes for the Institute's clientele as and when need arises. On the ground however, entrepreneurs don't seem to have heard of KIBT, raising a question of its effectiveness in offering training. The KNBS (2016) MSME Basic report notes that the majority of institutions offering entrepreneurial training are religious and non-governmental organisations (NGOs). Nafisika Trust, Sinapis, the Technoserve programme, Strengthening Rural Youth Development though Enterprise (STRYDE), and Centonomy are some notable NGOs, faith based organisations and finance organisations respectively, in the country involved in entrepreneurship training. More recently, Safaricom, Equity Bank and Kenya women Trust Fund (KWFT), have been known to offer training in financial management and record keeping.

Despite the advancements in this sector, a number of these institutions lack the capacity to train entrepreneurs in diverse ways needed for the dynamic nature of the market place; hence, entrepreneurs establish businesses but lack the skills and competence to handle the demanding needs of running them, while the existing ones remain latent in their operations (Republic of Kenya 2005). One of the key elements in improving the survival rate and performance of the enterprises, is improving the management competencies of their owners/managers. This calls for creating access to affordable training and other business development services.

1.4 The Performance of MSEs in Nakuru Town

The performance of a business can be appraised in a number of ways. Financial measures of performance include profit and turnover. Non-financial measures include number of employees, long-term growth and survival. Chirwa (2008) observed MSEs performance is

measured by the profitability index or the growth in employment around the world; however the turnover of a business is one of the most accurate measures of its performance.

Nakuru Town is on the fast track to becoming a City in Kenya due to its high cosmopolitan population, developed infrastructure and its strategic location in Kenya. It is also one of the major agricultural towns in Kenya, home to several game parks and the geothermal power plant seeing to increased commercial activity in the Town. These developments have attracted numerous investors seeing to the growth of numerous micro and small enterprises in the town. A number of financial institutions including banks and microfinance institutions have been established targeting MSEs in Nakuru. Entrepreneurship and vocational education targeting the youth in Nakuru has recently been a major focus of the county government of Nakuru, observed by the colossal investment in equipment by the county government in Nakuru Vocational Polytechnic in the last financial year. The Nakuru County MSEA office in partnership with other organisations is reported to undertake a number of entrepreneurship training programmes with the aim of improving youth entrepreneurship and employment, the effects of which are yet to be assessed.

Thuo (2014) noted the performance of MSEs in Nakuru town is derailed largely by high interest rates on available credit and the collateral requirements by financial institutions lowering access to credit by entrepreneurs. The challenges of lack of business skills and low adoption of ICT skills were also noted. Today, other sources of credit have come up, such as MFIs, government funds and mobile/digital funds. These are expected to improve access to credit by MSEs. On entrepreneurial training, Munene (2013) observed that the entrepreneurship training conducted by KIBT in Nakuru County resulted in improved performance in enterprises. The study recommended diversification in the range of training programs offered. With the rapid growth of Nakuru town, and the high rate of unemployment, more MSEs have come up. This necessitates a study to determine whether

they have the requisite entrepreneurial training, as well as readily accessed credit to operate efficiently.

1.5 Statement of the problem

Micro and Small enterprises (MSEs) drive economic growth and are invaluable in achieving development goals both in developing and developed countries. They contribute to local economies by being sources of employment, public revenue and help promote equity and foster innovation. The KNBS MSMEs Basic report of 2016 recognized the need for the government to facilitate a supportive macro-economic environment for the growth of MSEs. The enormity of this sector and its growing influence on growth of the economy, forces the government to develop strategies with an aim of improving it. These strategies include government Funds such as WEF and Uwezo; to enhance access to credit, and also provision of entrepreneurial training through KIBT. Despite many initiatives by the government and other organisations, Sharu and Guyo (2015) revealed 60 percent of small enterprises fail within three years of being in operation, their ability to survive the market conditions being very low. Small enterprises lack the advantages larger companies have in their economies of scale, access to credit and skilled personnel. Cowan (2019) notes that a financing gap still exists due to unsuitable financial products and unfavourable lending terms by financial institutions in the country. Thuo (2014) noted the performance of MSEs in Nakuru town is derailed largely by high interest rates on available credit and the collateral requirements by financial institutions lowering access to credit by entrepreneurs. Traditional banking methods are not suited to the unique needs of these enterprises that require low cost financing and fewer collateral requirements. A gap in MSE financing is therefore apparent and the need arises for the establishment of financial institutions specifically targeted to MSEs. Mobile banking in Kenya has stood out as a source of fast and cheap loans for entrepreneurs with minimal security and collateral requirements. This

method of financing is becoming popular due to its reach and low operating costs for financiers. Mobile loan applications like TALA have also help to increase the access to credit by people. However; these loans are reported to have high interest rates and short repayment periods making them unsuitable for small entrepreneurs.

Access to credit is the dominant growth factor of MSEs; however, the factors that influence the growth of MSEs go beyond financing. Entrepreneurship training develops entrepreneurial competencies like management and financial literacy in business owners, which improves performance. Munene (2013) observed that the entrepreneurship training conducted by KIBT in Nakuru County resulted in improved performance in enterprises. However, the study recommended diversification in the range of training programs offered. Other non-financial support services like mentorship and business incubators are also shown to contribute largely to the success of these enterprises.

The effects of credit and entrepreneurship training will vary from one region to another depending on institutional and structural infrastructure of the region in question. Post devolution, there is need for region specific research to enable county governments to better administer required needs for the growth of MSEs. With the rapid growth of Nakuru County, and the high rate of unemployment, more MSEs have come up. This necessitates a study to determine whether they have the requisite entrepreneurial training, as well as readily accessed credit to operate efficiently.

1.6 Research Questions

This study was guided by the following research questions

i. What is the effect of credit on performance of micro and small enterprises in Nakuru County?

ii. What is the effect of entrepreneurship training on performance of micro and small enterprises in Nakuru County?

1.7 Objectives of the Study

The general objective of this study was to investigate the effect of credit and training on the performance of micro and small enterprises in Nakuru County. The specific objectives of the study were:

i. To establish the effect of Credit on the performance of Micro and small enterprises in Nakuru County
ii. To examine the effect of entrepreneurship training on the performance of micro and small enterprises in Nakuru County.

1.8 Significance of the study

This study hoped that by documenting current Credit and entrepreneurship training resources available to entrepreneurs in Nakuru County and their impact on MSEs performance, the national and county government would able to target the right interventions to ensure that the MSEs succeed in Nakuru County as well as in the entire country. Policy makers and development partners in this sector and the youth empowerment sector will benefit from this study as it offers an insight on the perceptions of the population on various initiatives. The government of Kenya is contending to put in place policies to govern the various initiatives for availing funds to MSEs. These include the movable property security rights act of 2017, the Biashara Fund, and the Central Bank of Kenya's mobile loan application Stawi of 2019 targeted at MSEs Financing, among others. Results of this study will be beneficial in informing the implementation of these initiatives. NGOs are not left behind especially in the area of providing entrepreneurial training. Both the NGOs and the government will benefit from knowledge on areas of

training that would be more useful to the MSEs. At the end of it all, the expectation is that many more MSEs will be started and succeed, with the resultant employment creation, thus reducing youth unemployment in Kenya.

For other researchers, this study provides useful reference material on the impact of credit and entrepreneurship training on the performance of MSEs in Nakuru and exposes areas for further research, which can be useful in expanding available knowledge.

1.9 Scope and Limitations of the Study

The study was confined to the impact of credit and entrepreneurship training on the performance of micro and small enterprises in Nakuru Town. The target population was the registered/licenced MSEs owners. The questions asked aimed to solicit information on ease of access to credit, frequency of borrowing, sources of this credit and profitability of the various MSEs. Also, information on level of entrepreneurial training, providers of this training, as well as the usefulness of such training in the running of business, was sought.

This study could be limited:

i. In terms of generalization of findings to certain areas that may have different conditions or characteristics to the ones studied. In case of need to do such generalization, it will have to be done with caution.

ii. Possibly by initial apprehension of the respondents. This is because some entrepreneurs thought the researchers were agents of Kenya Revenue Authority. However, this was taken care of by clearly explaining the purpose of the study and assuring the respondents of confidentiality with which their responses would be held.

1.10 Organization of the Study

This study is organized in five chapters. Chapter one focuses on the background information on MSEs, credit access and entrepreneurship training practices in the country. The study area Nakuru Town and the performance of MSEs operating in its jurisdiction is discussed. The objectives and the problem guiding this study are also captured in this chapter. Chapter two, the literature review, is divided into three main topics; where the theoretical and empirical literature relevant to the study is reviewed and critiqued. Chapter three outlines the research methodology; that includes the methods and tools that were utilised in the collection and analysis of data. Chapter four presents results and discussion of analysed data. Finally, chapter five shows the conclusions reached as well as the relevant recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents theoretical and empirical literature that is relevant to the study. It also gives an overview of the literature where a critique and summary of the literature is done.

2.2 Theoretical Review

2.2.1 Pecking Order Theory

This theory was first observed by Donaldson in 1961 then modified by Myers and Majluf (1984). The theory states entrepreneurs will give preference to internal sources of financing, as they are the cheapest sources, viewing external financing as expensive. When internal sources of financing are inadequate then the business seeks sources of debt financing like bank and MFI loans. The issuing of equity as a source of financing is used as a last resort.

MSEs will therefore give preference to the cheapest source of financing, with most small entrepreneurs using their personal savings and borrowing from family to start or finance their businesses. This is the internal source of financing. The most popular sources of affordable external credit are table-banking groups popularly known as "chamaas" and micro finance institutions. This emphasizes the need for the development of more low cost sources of financing to meet this need of the MSEs. The transition from traditional banking methods to more flexible ones like the mobile banking system could be beneficial to MSEs in the country. MSEs don't move to the third level of equity release as a source of financing

their business because they lack the capacity to do so. Literature proves the capital structure of a firm has an impact on its performance.

2.2.2 Human Capital Theory

The Human Capital Theory is traced to Adam Smith in the 18th Century. The general assumption is that the human capital of the founder improves small firms' chances of survival (Bruederl et al. 1992). Human capital acts as a resource. However, human capital theory studies usually assume that experiences are translated into knowledge and skills. Modern interpretations of this theory have however been made by notable Economists around the world. The theory depicts how education and training imparted in labour increase productivity that leads to economic value. The investment in human capital by corporates and businesses increases the labour productivity and efficiency. Skill training and development is viewed as an asset to the business that accrues returns.

This theory justifies the value of training and education in improving the performance and profitability of a business by equipping entrepreneurs with necessary skills and knowledge. This theory helps to explain the entrepreneurship-training variable in this study and its effect on the variable performance of a business. Theoretically, the relationship between these variables is shown to be positive hence, MSEs with educated and trained personnel are expected to be more profitable compared to those with untrained personnel. The relevance of this theory to the current study is that when good quality education is supplemented with sector specific training the quality of labour is exponentially improved and the production process made more efficient.

2.2.3 Production Theory

The production theory illustrates the maximum level of output Q that a firm can produce with a certain combination of inputs (K, L, etc), while holding technology constant. It

therefore explains a production possibility frontier obtainable from each vector of inputs. It gives the relationship between prices of commodities and prices of productive factors. A firm therefore seeks to minimize costs and maximize profits. The firm's cost depends on two main factors: (1) the technical relation between inputs and output (i.e., how outputs vary as inputs vary), and (2) factors prices (i.e. the price of labour, the price of capital or the interest rate, etc.). The key concept in the theory of production is the production function.

The production function shows the relation between input changes and output changes. It also shows the maximum amount of output that can be obtained by the firm from a fixed quantity of resources. The production function is expressed as:

$$Q = F(L, K)$$

Where: Q=OUTPUT, L=LABOUR and K=CAPITAL

The volume of output of the firm's product, per period of time, depends on the quantities of these factors that are used by the firm. It is subject to a number of assumptions like the law of diminishing returns. Technology is constant and it assumes a short-run period for in the long run all factors of production are variable. Pieri (2010) observes a firm chooses the optimal process that guarantees maximum net profit or a given output level at minimum cost. A production function can take several forms; linear functions, polynomial or Cobb-Douglas functional forms.

2.3 Empirical Literature

2.3.1. Credit Access and Performance of MSEs

A review of empirical literature revealed that credit access is the main factor that affects the growth of the MSEs. Musavi (2018) investigated the relationship between credit,

education and performance of MSEs in Kenya. Secondary data based on the KNBS MSME basic report on the survey done in 2016 was used and a sample of 384 MSEs was selected and analysed. Entrepreneurs were observed to favour personal savings and "chamaas" as sources of credit due to their negative view of financial institutions' lending terms. MFIs however are noted to be favoured by small entrepreneurs and viewed less negatively due to their flexible lending terms. A majority of small entrepreneurs are observed to have attained a secondary school education, which offered basic knowledge and skills. A few had received entrepreneurship-training services, with a majority sponsoring themselves. Larger and more profitable businesses were observed to be owned by more educated and trained personnel with a major deficiency observed in the lack of financial and business management skills. The study observed a gap in both the credit access and skill training of entrepreneurs and further recommended entrepreneurship training to complement the entrepreneur's education level and increase their competency to run their businesses. The study concluded an increase in credit access and the level of education of an entrepreneur have a positive effect on the performance of these businesses. While Musavi (2018) worked with secondary data based on the whole country, the current study was based on primary field data collected from MSE owners in Nakuru County.

Chirchir (2017) examined the factors that determined the access to financial resources by MSEs in Eldama Ravine Kenya. Questionnaires were used to collect cross sectional data from the entrepreneurs and analysed using SPSS. The results illustrated a number of factors attributed to the limited access to finances by MSEs in the area. The study observed that key among the factors that limited the access to credit were transactional costs because they increased the cost of borrowing. The tedious loan application process and inflexible repayment terms were highlighted as the other major factors that deterred entrepreneurs from seeking loans. The geographical location of most of the financial institutions in the

area was deemed a limitation, with a majority of entrepreneurs in the rural parts finding it difficult to access them. The study further observed the need for financial institutions to develop "tailor-made" financial products targeted at the need for low cost financing by MSEs in the area. Financial institutions were observed to favour the group lending system as it reduced the lending risk and recommended the formation of groups by small entrepreneurs to ease their access to loans. The age and gender of the entrepreneur were also highlighted as factors that affected the access to credit. The youth and women entrepreneurs in the area reported to have fewer options for credit due to their lack of collateral and credit history. Eldama Ravine is a small, rural trading centre whose conditions are likely to be different from those in the larger urban centres in the rest of the country. Therefore, the current study strove to determine factors that were likely to hinder access to credit by MSEs in Nakuru County, and whether they would be different from those in other parts of the country.

Suryadevara (2017) provided a descriptive study on the impact micro finance credit has on the performance of MSEs in Kenya. MFIs loans were noted to be popular because of their flexible "group-lending model" that reduced collateral requirements and cost imposed on an individual. The study observed that favourable lending terms including low interest rates, low security requirements and fewer collateral requirements improved the uptake of loans. It noted that poor management practices, the high default rate on loan repayment and poor financial management by small entrepreneurs were to blame for the limited access to credit by small entrepreneurs. The data collected using questionnaires from a sample size of 59 was analysed using SPSS and correlation tests carried out. The study concluded that a strong positive relationship existed between micro-finance loan use and profitability. In addition, the debt rating of a business was observed to have a strong positive correlation with the performance of a firm.

Ogeta (2016) examined "The Impact of Credit Accessibility on the Performance of Small Businesses in Migori Town Kenya". The study descriptively analysed data collected from a sample of 71 MSEs via questionnaires. The access to credit by small entrepreneurs was observed to be limited by their inability to satisfy the financier's requirement for collateral and credit history. High interest rates and collateral requirements by financial institutions increased the cost of borrowing and this deterred the small entrepreneurs. Young entrepreneurs are observed to favour non-traditional forms of banking like mobile baking, for its ease of operating and less bureaucracy. The results show entrepreneurship skills and access to cheap loans have a positive impact on the performance of businesses. The study concluded an increase in access to affordable credit; financial literacy and management skills increased the productivity and performance of enterprises. The current study took a larger sample size of 248 MSEs spread across several urban centres in Nakuru County so as to improve on Suryadevara (2017) and Ogeta (2016). The idea was to get more accurate results based on a wider study area.

Itonga, Waweru and Huka (2016) examined "The Effects of Credit Access on the Financial Performance of Women Owned MSEs in Imenti Kenya". The study highlighted gender as a factor that influenced the access to credit with women having limited sources of credit. A majority lacked the collateral required while others viewed the group-lending system of the government funds as inconvenient. Cultural factors are also noted to influence the involvement of women in business in the area. A sample of 469 MSEs was selected from the population, data collected using questionnaires and analysed. The findings showed a majority of the women lacked awareness of the available sources of credit offered by the government and other organisations. A majority of them preferred personal savings and "Chamaas" due to the low cost of these forms of financing. The study concluded the access to credit in Imenti had no significant effect on the performance of businesses. These findings seemed to go against the norm, but this is due to the fact that most women

entrepreneurs in Imenti, Meru derive their business operating capital from personal savings rather than go for loans from financial institutions.

Muiruri (2014) investigated the role MFIs played in the growth of MSEs in Thika Town Kenya. Data collected via self-administered questionnaires and interview schedules from 285 MSEs and 16 financial institutions was analysed using SPSS. The results proved micro credit played a significant role in the growth of MSEs in Thika and in the long run increased the performance of these businesses. MFIs were observed to be popular with the locals due to their flexible lending terms, low interest rates and fewer collateral requirements. MSE owners are observed to view MFIs as more accommodating compared to commercial banks and preferred their accommodative lending terms. The resource of financial management advice offered by these institutions to the entrepreneurs upon borrowing was also observed to have a positive impact on the uptake of these loans. However, the study noted that high default rate by small entrepreneurs on loan repayment is a major factor that limits their access to credit from financial institutions. The MFIs were observed to offer business development services to small entrepreneurs to remain competitive in the market and help develop small entrepreneurship in the area.

Mugori (2012) examined the impact credit access had on the financial performance of MSEs in Kenya. Cross sectional data was collected from a sample of 100MSEs and analysed using both descriptive and multiple regression analysis. The regression results showed that access to loan and entrepreneurship training were both significant variables to the study, however the access to credit was noted to have a greater impact on performance. The access to credit by a business seemed to be influenced by the education level of the owner, with more educated owners having more access to credit. The study further observed the access to financial and entrepreneurship training resources by MSEs, increased their competitive advantage by increasing their uptake of new technologies

proven to increase efficiency and market reach. In conclusion, the performance of MSEs is noted to be improved by their access to sources of credit as well as entrepreneurial training of the personnel.

2.3.2 Entrepreneurial Training and Performance of MSEs

Wairimu (2017) examined the impact of the "social intermediation" role of MFIs on the performance of MSEs in Thika Town, Kenya. MFIs were noted to offer financial and business management training services to entrepreneurs upon borrowing to better equip them to invest and utilise the funds. The MFIs sought to improve their lending terms by offering these services in order to remain competitive in the market. The entrepreneurs were observed to develop a variety of skills like financial record keeping, marketing and business management in the process that improved their capability to run their businesses successfully. Data was collected using questionnaires from a sample of 272 MSEs and analysed using the Pearson correlation test. The results illustrated an increase in the performance of businesses owned by entrepreneurs with access to not only the MFI loans but also these business services. The study concluded that the combination of affordable financing and entrepreneurship training improved the survival rate of small enterprises. Factors like age, gender, years of experience and education level were also observed to influence the performance of a business.

Odhon'g and Omolo (2015) examined a sample of 200 pharmacies in Kenya to evaluate the impact human capital investment has on performance. The study observed the labour market in Kenya is in need of stimulation to create diversity in available skills, this lack of skills has derailed its productivity. Education and training equips the labour market with necessary skills to remain competitive in the rapidly expanding global market and attracts investors looking for well-educated and trained labour. A regression analysis was done including education and training as independent variables and performance as the

dependent variable in the study. The results concluded a positive relationship exists between human capital investment and performance.

Karanja (2014) examined "The Influence of Entrepreneurial Training on Performance of Youth Enterprises: A case of STRYDE project in Nyeri County, Kenya". The programme targeted at rural youth was observed to increase enterprising attitudes and improve technical and business skills. Some key factors observed to influence the performance of the enterprises were access to credit and market, financial management skills and innovation. Primary data was collected from the recipients of the programme using questionnaires and The Pearson correlation test carried out on the data. The results illustrated a positive relationship exists between the training offered by STRYDE and performance. The training offered, improved the efficiency in the running of these businesses, with a majority of the youth adopting new technologies and better management skills. However, a limit to the access to sources of credit by the youth is observed due to their lack of creditworthiness and a prevalent lack of financial management skills. The lack of skills is observed to be especially prevalent in rural areas and increased interventions are recommended. The study concluded entrepreneurship training and availability of financial resources are imperative to the running of a successful business. The youth are especially viewed as vulnerable due to their lack of income, collateral, personal savings and entrepreneurial skills. Youth focused interventions are called for to improve their entrepreneurial competencies through training.

Kisaka (2014) examined the effect education and training has on the entrepreneurial behaviour in Kenya. The role of education and training in the development of traits considered to be beneficial to an entrepreneur in the market place was examined. The entrepreneurial traits observed included risk taking, innovativeness, sense of responsibility and focus on results. A sample of 170MSEs was selected from the population and data

collected via questionnaires. The chi-square test was carried out to investigate the impact education and training have on the development of entrepreneurial traits. The results concluded that entrepreneurship training developed entrepreneurship competencies in students, which in turn encouraged enterprising behaviour. The study notes education and training are vital to the survival of MSEs and recommends further investments in the sector. Innovation and the adoption of new technology is improved by education and training due to the fast uptake of new knowledge which in turn improves productivity, profitability and competitiveness. Factors like the number of years of experience and access to credit were also noted to contribute to performance.

Kithae, Maganjo and Kavinda (2013) descriptively analysed the influence of entrepreneurship training on the performance of MSEs in Embu Kenya. Data collected from a sample size of 68 was analysed using the Pearson correlation test. The results concluded that entrepreneurship training was significant to the success of a business. Training was noted to develop entrepreneurial behaviour like creativity and innovativeness, which are vital to an enterprise's survival. Other skills like business and financial management, customer care, record keeping and marketing were noted to be imperative to improved business performance. However, a majority of the small business owners lacked these skills and institutions offering training were limited. The study further observed in addition to sources of financing, financial literacy went a long way in improving the performance of these enterprises. In addition, a need for the practical application of learned skills and constant monitoring from mentors and trainers was observed as necessary.

Munene (2013) provided a descriptive analysis of the effect of entrepreneurship training on the performance of MSEs in Nakuru Town Kenya. Data was collected via self-administered questionnaires from a sample size of 50 MSE owners trained by Kenya Institution of Business Training (KIBT) and Joint Loans Board (JLB) between 2010 and

2012. The collected data was analysed using the computer program SPSS. The results concluded entrepreneurship training improved the business skills like marketing, managing working capital and financial record keeping in entrepreneurs. The study noted both KIBT and JLB lacked the capacity to train entrepreneurs effectively and recommended the expansion in available entrepreneurship training resources. The need for diversified curricula and practical teaching methods was also observed, as most entrepreneurs lacked training in a number of skills. Limited access to finances, high operating costs, difficulty in dealing with debtors and bureaucracy were other factors noted to derail the performance of MSEs in Nakuru.

Njoroge and Gathungu (2013) assessed the impact education and training had on the development of small businesses in Githunguri District Kenya. The study collected data from a sample size of 278 registered and licensed MSEs using questionnaires and interviews. The results of the data analysis illustrated education as an important variable, while training was proven to improve the performance of a business. Where education was supplemented with training in a particular trade, the performance was noted to improve. It was observed that the dynamic nature of the market place requires entrepreneurs to acquire skills necessary to stay competitive. Entrepreneurs that acquired skill training in areas like financial and business management experienced faster growth and development. The study concluded education and training are important for improved business performance.

In Nigeria, Raimi and Sofoluwe (2013) descriptively explained the effect of entrepreneurship training on employment creation in Nigeria. Econometric analysis carried out on secondary data revealed that entrepreneurship if well-developed could be an effective tool for employment generation, poverty reduction and promoting gender equality. Training helped to foster an entrepreneurial culture and helped young people to view it as a worthy career choice. Vulnerable groups in society like women and the

disabled were able to engage in lucrative activities and improve their living conditions. The study notes human capital if well developed in businesses, serves as a key factor to economic growth, technological innovations and international competitiveness. Training improves the adoption of technologies and productivity of the labour force, which in turn improves performance. Entrepreneurship skills like management, accounting, marketing, public relations and record keeping are highlighted to contribute largely to the success of MSEs.

Wawire and Nafukho (2010) examined "The Factors Affecting the Management of Women Groups MSEs in Kakamega District, Kenya". The study recognised the role of entrepreneurship in the economic empowerment of women in the country. Gender and cultural issues are highlighted in the study as a factor that affects the performance of these groups. A sample of 310 respondents was selected consisting of women group leaders, community leader, governmental and non-governmental donors from the population. The study discovered the factors affecting these enterprises were financial, managerial, technical, administrative and cultural. The study notes poor financial management practices led to high default rate on loans, which adversely affected the running of these groups. Lack of digital technologies impeded the efficiency in the management of these groups and derailed their growth. Another factor was the lack of common objectives within the groups, which in turn caused disagreements and discouraged progress. The study recommends entrepreneurship training as a prerequisite to starting a business or borrowing money for business investment as it is invaluable to the successful running of a business.

2.3.3 Performance of MSES

Tolentino (2005) observed there are a number of ways of measuring the performance of MSEs including changes in sales, number of employees, turnover, profits and equity. The study observed the changes in these factors over a period and discovered turnover is the

most accurate measure of performance while sales and profits were observed to be volatile. The study concluded the performance of a business could be appraised in a number of ways dependent on the nature of the business in question.

Rocha (2014) observes employment is a better measure of performance compared to sales, which are unreliable. Financial data proved difficult to obtain compared to employment history information. The lack of proper financial records and distrust by respondents proved it difficult to assess the changes in the financial state of a business. The study concluded the common performance measures are employment, sales, profitability, income and assets growth.

2.4 Overview of the literature

Ogeta (2016), Chirchir (2017), Musavi (2018) among others, concluded that a positive relationship existed between credit and performance of an enterprise. Entrepreneurs were observed to give preference to cheaper sources of financing and lower collateral requirements, notably from MFIs. However, a number of factors like age, gender and level of awareness were observed to influence the access to credit and performance. A financing gap persists in the MSE sector and while developments in the mobile banking and MFI sector have improved credit access, the issue persists and this calls for further study in the area to discover better solutions.

Wawire and Nafukho (2010), and Wairimu (2017), among other researchers observed a positive relationship between education and entrepreneurship training and the growth of micro and small enterprises. Despite the positive impact of entrepreneurship training on the performance of businesses, available training resources in the country are limited. It is observed that in Kenya most organisations offering training facilities are private, faith-based and NGOs; the government offers very limited entrepreneurship training. The

government and other stakeholders in this sector are encouraged to increase investments in the sector. Further research in this area is necessary because between 2010 and 2017 as observed from literature, very little improvement is noted in the sector hence the need for further research to raise more awareness to the issue and find better solutions.

It has been proven through literature that both the access to credit and entrepreneurship training have a positive impact on the performance of MSEs. The effects of credit and entrepreneurship training will vary from one region to another depending on institutional and structural infrastructure of the region in question. Post devolution, there is need for region specific research to enable county governments to better administer required needs for the growth of MSEs. There however exists limited empirical literature on the effect of both credit and entrepreneurship training on the performance of MSEs in Nakuru County. With devolution, rapid growth of Nakuru County, and the high rate of unemployment, more MSEs have come up. This necessitates a study to determine whether they have the requisite entrepreneurial training, as well as readily accessed credit to operate efficiently.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research design and methodology that was adopted by the study. This chapter holds information on the theoretical and empirical models on which this study was based, the variables and their theoretical relevance to the study. The tools for data collection and analysis are illustrated and the diagnostic tests to test the validity of the variables.

3.2 Research Design

The study employed a non-experimental research design. The main objectives of the study were to determine the effect of credit and entrepreneurship training on performance of micro and small enterprises in four towns of Nakuru County, Kenya. The study used cross-sectional primary data collected via self-administered questionnaires.

3.3 Theoretical Framework

This study was based on the profit maximisation theory. The main objective of every entrepreneur is to maximize profit.

Given a production function:

$Y = Y(X)$

$\pi = TR - TC$ ………………………………………………………………………………….3.1

$\pi = P.Y(X) - WX$ ……………………………………………………………………………..3.2

P - Output price

X - Vector of inputs

W - Vector of input prices

Where Y is output TR is total revenue and TC is the total cost. The firm's profit function is given in equation 3.2. The firm chooses the level of output Y that maximises profits.

F.O.C

$$\frac{d\pi}{dx} = P.\frac{dy}{dx} - W = 0 \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots .3.3$$

Solving the maximization problem, we get the input demand function X (W, P). Plugging the input demand function into the production function Y(X), we get the output supply function given by

$$Y = Y(W, P) \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots 3.4$$

Output as a function of input and output price. Credit is a source of capital and entrepreneurship training adds value to labour, the main inputs of production.

$Y = Y(W, W_C, W_{T,}$P)…………………………………………………………**3.5**

This gives us the output supply as a function of input prices of credit and entrepreneurship training. W_C *and* $W_{T,}$ Respectively.

3.4 Empirical Model

A Cobb-Douglas equation was used to estimate the relationship between credit, entrepreneurship training and output as factors of production. Credit in this case was considered as the capital in production while entrepreneurship training as value added to labour which in turn affects level of production.

$Y = AK^{\alpha}L^{1-\alpha}$ ……3.6

Y= level of output

K and L represent units of capital and labour respectively

α and 1-α represent the share of inputs of capital and labour respectively

A = constant.

A linearized logarithmic regression model was applied to determine the effect of each of the two variables on MSEs performance. The regression model is as follows:

$\log Y = \log A + \alpha \log K_{CR} + 1 - \alpha \log L_{ET} + \varepsilon$……3.7

Where:

$\log Y$= log of level of output

$\log A =$ Log of constant

$\log K_{CR}$= Log of credit

$\log L_{ET}$= Log of Entrepreneurship Training

ε = Error term

The regression equation is represented as follows:

$\log Y = \beta_{\theta +} \ \beta_1 \log K_{CR} + \beta_2 \ \log L_{ET} \ + \varepsilon$……..…3.8

β_{θ} is the constant, $\beta_{1,} and\, \beta_2$ are the coefficients of the variables credit and entrepreneurship training respectively.

Some moderator variables such as age, gender, level of education and number of years of operation were analysed and descriptive statistics used to illustrate their individual effect on the performance of the enterprise.

3.5 Definition and measurement of variables

Y- The sale turnover represents the amount of revenue generated by a business during a tie period. This was measured in Kenya shillings. This is the dependent variable in the study.

$\mathbf{K_{CR}}$ −Credit refers to the Provision of money, goods, or services with the expectation of future repayment. Again this was measured in Kenya shillings

$\mathbf{L_{ER}}$ − Enterpreneurship Training refers to the level of expertise and entrepreneurial qualification achieved by the owner/manager of the enterprise. Dummy variables were used to compute training.

Entrepreneurship Training (1) None (0)

Modified specification

The first objective of the study was to establish the effect of credit on performance of MSEs in Kenya. Credit Services represented the independent variable while the dependent variable was represented by total revenue accrued by the MSE's. The effect of credit on the performance of the business was analysed using the multivariate regression equation given as:

$Y = \beta_\theta + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$ … … … … … … … … … … …3.9

Where:

Y = Performance of the MSEs

β_θ = Constant

β_1 , $\beta_{2\ and}$ β_3= Régression coefficients

X_1= Amount of credit

X_2 = Challenges in borrowing

X_3 = Frequency of borrowing

Ɛ =Error term

The second objective of the study was to establish the effect of entrepreneurship training on performance of MSEs in Nakuru. Entrepreneurship training is the independent variable and Revenue representing the Dependent Variable. The effect of entrepreneurship training on the performance of the business was analysed using the multivariate regression equation given as:

$$Y = \beta_\theta + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 3.10$$

Where:

Where Y = Performance of the MSEs

β_θ = Constant

β_1 , $\beta_{2\ and}$ β_3= Régression coefficients

X_1= Entrepreneurship training

X_2 = Training benefits

X_3 = Trainer

Ɛ =Error term

3.6 Study Area

Nakuru County is one of the major agricultural zones in Kenya, and home to several game parks and geothermal power plants; making agriculture, tourism and power great sources of revenue. These developments have seen the growth of micro and small enterprises in the various urban centres in the county, thus the interest to conduct this study here.

According to the County Integrated Development Plan (CIDP, 2014), Nakuru is an agricultural region with an average population estimated to be about 1,603,325 people based on the 2009 population census (KNBS 2009). According to a study by United Nations (2011), Nakuru County was cited to be among the fastest growing counties in Africa and fourth in the world. It is divided into nine administrative sub-counties namely Naivasha, Gilgil, Nakuru, Rongai, Nakuru North, Subukia, Njoro, Molo and Kuresoi. Nakuru County is noted to have 118,200 licensed MSEs with the majority of them located in Nakuru Town (KNBS 2018). In the recent past; there has been notable growth in the financial, communications and infrastructure sectors in the County.

This study was conducted in four administrative sub-counties namely Nakuru Town, Njoro, Gilgil and Rongai.

3.7 Target Population

Mugenda and Mugenda (2003) described population as, the entire group of individuals or items under consideration in any field of inquiry and have a common observable characteristic. The target population of this study is composed of representatives of the various industries including the mechanics, dairy, retail shops, jua kali, salons, boutiques and small manufacturing companies in Nakuru County.

3.8 Sampling Frame

Getting a sample involves selecting some elements of the population and using it to draw conclusions regarding the entire population. According to Cooper and Schindler (2011), a good sample should be representative of the population. Since there is no accurate database, approximately 300 MSEs operate in Nakuru town according to the Nakuru Municipality licencing office. Then estimating 100 MSEs in Njoro, 100 in Rongai and another 150 in Gilgil, gave a total sampling frame of 650 MSEs in the four sub-counties.

Using Yamane's formula (1967).

$$\boldsymbol{n = \frac{N}{1+N(\varepsilon)^2}}$$

Where: n = Sample size

N = Population

ε = Standard error

Using a 95% confidence level and an error margin of 0.05, the population of 650 MSEs gave:

$$n = \frac{650}{1 + 650(0.05)^2}$$

= 248 MSEs

3.9 Research Instruments

The researcher developed a questionnaire for the study as per the research questions. Before administration of the questionnaires, the researcher sought permission/authorization letter from the University. This helped to minimize respondents' suspicion of the intent, object and purpose of the study. The questionnaire was administered through drop and pick later method. This gave the respondents adequate time to respond to the questions owing to their busy schedules. In some instances, the researcher conducted interviews and filled the questionnaire so as to ensure a high response rate.

3.10 Data Collection Methods

The primary research data, both quantitative and qualitative, was collected from the owners of the MSEs using a self-administered questionnaire. The geographical scope was localized within four towns in Nakuru County, capturing registered MSEs owners. Closed ended

questions were used in an effort to conserve time and money as well as to facilitate an easier analysis as they are in immediate usable form. A few open-ended questions were used as they encourage the respondent to give an in-depth and felt response without feeling held back in revealing any information.

3.11 Data Analysis Methods

This section discusses the techniques that were used to analyse data and test the variables. Before processing the responses, data preparation was done on the completed questionnaires by editing, coding, entering and cleaning the data. Reliability of the questionnaire was determined using Cronbach alpha and found to be 0.72. This was considered reasonably adequate for this study.

The data was analysed using STATA software. The individual regression beta Coefficients were checked to see whether they significantly influenced performance of MSEs in Nakuru County.

3.12 Diagnostic test

The study also tested the collected data for Multicollinearity and Normality to avoid spurious results.

CHAPTER FOUR

EMPIRICAL FINDINGS

4.1 Introduction

This chapter presents results of analysis and empirical findings of the study. Guided by the research objectives, the chapter illustrates the relationship between the study variables, namely credit access, entrepreneurship training and performance using regression analysis. Descriptive statistics and diagnostic tests have been incorporated to provide further insight on the study variables and the validity of the model.

4.2 Descriptive Statistics

Descriptive statistics are used to illustrate the distribution of MSEs with respect to age, gender, level of education, business experience and type of business. Descriptive statistics given for this data were frequencies and percentages.

4.2.1 Response Rate

The study targeted 248 licensed MSEs in Nakuru County, from sampled towns including Nakuru town, Njoro town, Rongai town and Gilgil town. Out of the questionnaires administered, 241 were filled and returned giving a response rate of 97.17%. This response rate was due to the fact that some questionnaires were administered in form of interviews especially for the clients who felt they could not easily afford time to fill the questionnaires themselves. Mugenda and Mugenda (2003) stated that a response rate of 50% and above is adequate for analysis and reporting. Thus, this response rate was taken as an acceptable representation of the intended sample.

Age of respondents was analysed and results presented in Table 4.1.

Table 4.1: Age of Respondents

		Frequency	Percent
Age	up to 20 years	12	5.0
	21-30 years	76	31.5
	31-40 years	96	39.8
	Over 40 years	57	23.7
	Total	241	100.0

Source: Research Data 2019

Persons between 31-40 years, representing 39.8 percent of the respondents, own a majority of the MSEs in Nakuru County. The youth in the population (21-30 years) represent 31.5 percent of the total respondents in this study. This huge population (over 70%), calls for more interventions by the government and stakeholders in this sector to improve youth entrepreneurship. This is consistent with Karanja (2014) who observed that an increased number of youth ventured into entrepreneurship due to the limited job opportunities but faced numerous limitations in business due to their inability to access credit and their lack of skills and knowledge.

Gender of the entrepreneur was then analysed and tabulated in Table 4.2. There are more male entrepreneurs in Nakuru County than female ones.

Table 4.2: Gender of Respondents

		Frequency	Percent
Gender	Male	130	53.9
	Female	111	46.1
	Total	241	100.0

Source: Research Data 2019

Male entrepreneurs represented 53.9 percent of the total population while women represented 46.1 percent of the population. Women empowerment schemes and funds should be encouraged in Nakuru County to promote the growth of more women owned enterprises. This is consistent with Itonga, Waweru and Huka (2016) who examined "The Effects of Credit Access on the Financial Performance of Women Owned MSEs in Imenti Kenya". The study highlights gender as a factor that influences access to credit with women having limited sources of credit. They observed fewer women compared to men were involved in entrepreneurship due to limits in access of credit and cultural limitations. The current study found that women generally lacked collateral as well as sufficient financial history to enable them access credit. Most MFIs were lending to organized groups of entrepreneurs so as to minimize the requirement of collateral. This is bound to improve credit access by women entrepreneurs.

Results in Table 4.3 are the frequencies as well as percentages of entrepreneurs in terms of their level of education.

Table 4.3: Education Level of Respondents

		Frequency	**Percent**
Education	No Education	2	0.8
	KCPE	11	4.6
	KCSE	81	33.6
	TIVET	42	17.4
	Diploma	64	26.6
	Degree	41	17.0
	Total	241	100.0

Source: Research Data 2019

The level of education of the entrepreneur is illustrated as a major determinant to an enterprise's performance. A majority of the MSE owners had attained a secondary

education, representing 33.6 percent of the total population, while entrepreneurs with no education represented only 0.8 percent of the population. Over 94% of the enterprises are ran by persons with secondary school education or higher, showing a higher survival rate than those ran by less educated persons. This concurs with Musavi (2018) who noted educated persons owned higher performing businesses while entrepreneurs without at least a secondary education experienced poor business performance. This is due to the lack of necessary knowledge and skills required to run and operate a business.

Another characteristic was the entrepreneur's years of experience in business. The question posed was the number of years one had been running their business. Results of descriptive analysis of this information are presented in Table 4.4.

Table 4.4: Business Experience of Respondents

		Frequency	Percent
Experience	Less than 2 Years	43	17.8
	2-5 Years	65	27.0
	5-10 Years	62	25.7
	Over 10 Years	71	29.5
	Total	241	100.0

Source: Research Data 2019

Business experience is observed to be an important factor in the survival and performance of a business. 29.5 percent of the MSEs in Nakuru County are owned by persons with business experience of over 10 years while persons with less than 2 years of experience own 17.8% of these enterprises. Overall, 82.2% of the entrepreneurs have been in business for several years. This is representative of the importance of business experience in the survival of a business, concurring with findings from Wairimu (2017) and Munene (2013).

There are a variety of businesses operated in the County. Depending on the locality, some are more prevalent than others. However, the various types of micro and small businesses ran in the identified Sub-counties of Nakuru County were captured in the study. This information was analysed and presented in Table 4.5.

Table 4.5: Type of Business Ran by Respondents

		Frequency	Percent
Business			
	Retail Shop	39	16.2
	Grocery	12	5.0
	Butchery	15	6.2
	Garage	8	3.3
	Tailoring	19	7.9
	Financial	1	0.4
	Stationary	9	3.7
	Flour Mill	4	1.7
	Car Wash	6	2.5
	Boutique	33	13.7
	Hospitality	38	15.8
	Service	43	17.8
	Saloon	4	1.7
	Others	10	4.1
	Total	241	100.0

Source: Research Data 2019

There is quite a wide range of businesses in Nakuru County. The most prominent ones include service provision (17.8%), retail shops (16.2%), hospitality places (15.8%) and boutiques (13.7%). A unique one is that of financial (0.4%). This is where an entire shop is dedicated to provision of financial services in form of M-Pesa as well as various Banks' agency. The category of service includes typing and photocopying bureau, cyber, phone and computer repair shops.

4.2.2 Descriptive Statistics on Credit

The researcher used descriptive statistics (Frequencies and percentages) to analyze the sources of start-up capital, credit, frequency and challenges to borrowing. Results for sources of start-up capital are presented in Table 4.6.

Table 4.6: Source of Start-up Capital

		Frequency	Percent
Source of credit	Personal Savings	102	42.3
	Friends and Family	105	43.6
	Bank, Micro or SACCO	33	13.7
	Governmental Agencies	1	0.40
	Total	241	100.0

Source: Research Data 2019

Most of entrepreneurs represented by 43.6 percent of the sample, borrow from friends and close family members to obtain capital for starting and sustaining their enterprises. A further 42.8 percent reported to have used their personal savings while a minority of 13.7 and 0.40 percent respectively borrowed from financial and government institutions. This is in agreement with the pecking order theory that states that an entrepreneur will give preference to internal sources of financing, and using external sources like loans, as a last resort. This is because external sources of credit are expensive due to the interest rates accrued. By making credit sources cheaper and more accessible to entrepreneurs, more potential entrepreneurs can be actualized.

Once the businesses are up and running, entrepreneurs seek credit financing in order to maintain their businesses. Sources of such credit were analysed and reported in Table 4.7.

Table 4.7: Source of Credit

		Frequency	Percent
Source of Credit	Commercial Banks	35	14.5
	SACCO	30	12.4
	Micro-Credit	72	30.0
	Mobile Money	43	17.8
	Chamaa	61	25.3
	Total	241	100.0

Source: Research Data 2019

According to the pecking order theory, an enterprise will opt for credit in an attempt to improve its performance in a case where its internal sources of financing are inadequate. 30.0 percent, the majority, of MSE owners borrow from Micro Finance Institutions (MFIs) and another 25.3 percent from table banking schemes (chamaas). Commercial banks and SACCOs are observed to be less popular with 14.5 and 12.4 percent of small entrepreneurs respectively seeking credit from them. This is due to their stringent requirements on guarantors, collateral and high interest rates on loans. This is in agreement with Ogeta (2016) and Musavi (2018).

Mobile banking is increasingly becoming popular with small entrepreneurs with 17.8 percent of them borrowing from mobile banking sources. Mobile banking sources are however reported to be expensive due to high interest rates on loans and offer inadequate loan amounts. This is in agreement with Cowan (2019) who observed mobile banking as a means to bridge the small business-financing gap in the country, however the study recommended a reduction in the interest rates levied on these loans.

Most of the MSEs set up business using very small amounts of money as capital. This amount ranges from 5,000 Kenya Shillings to 40,000. The bigger businesses require more than 40,000 to start making slightly over 50% of the businesses studied. The amount that

cannot be raised through personal savings and internal family borrowing is taken as external debt from the various financial institutions. This information is presented in Table 4.8.

Table 4.8: Amount of Credit Borrowed

		Frequency	Percent
Amount of Credit Borrowed	Below 5000	13	8.8
	5000-10000	17	11.6
	10001-20000	12	8.2
	20001-30000	22	15.0
	30001-40000	9	6.1
	Above 40000	74	50.3
	Total	147	100.0

Source: Research Data 2019

Even as the business runs, there is an occasional need for credit boost. The amounts taken depend on the size of the business as well as the amount availed by the lending institutions. Mobile loans are usually lower than those extended by other conventional institutions.

The study sought to determine the frequency of borrowing by the business owners. This information was then analysed and results presented in Table 4.9.

Table 4.9: Frequency of Loan Borrowing

		Frequency	Percent
Frequency of loan borrowing	Very often	25	10.4
	Often	141	58.5
	Rarely	53	22.0
	Never	22	9.1
	Total	241	100.0

Source: Research Data 2019

A total of 58.5 percent of the entrepreneurs were observed to borrow money often. Taking these and the 10.4% who borrowed very often, we get over 68% frequent borrowers,

proving the inadequacy of internal sources of financing and the need for external sources of financing. Only a small minority (9.1 percent) of the entrepreneurs reported to have never accessed loans. The reasons for this were partly due to lack of awareness and partly due to negative attitudes towards loans.

In addition, the study looked at perceived major challenges to accessing credit, as expressed by the entrepreneurs. Results of the descriptive analysis of this information are presented in Table 4.10.

Table 4.10: Challenges Accessing Credit

		Frequency	Percent
Challenges	No challenges	64	26.6
	No Collateral	28	30.3
	Recently opened Bank Account	10	4.1
	Non-existent business	9	3.7
	Lack of Guarantors	73	11.6
	No resources	8	3.3
	No credit history	5	2.1
	Too many requirements	7	2.9
	Too much paper work	3	1.2
	High interest paid	12	5.0
	Short repayment period	4	1.7
	Amount availed too little	18	7.5
	Total	241	100.0

Source: Research Data 2019

The access to credit by entrepreneurs is cited as the dominant growth factor of MSEs in Nakuru County. Access to credit is limited largely by the lack of collateral and lack of guarantors both representing 30.3 and 11.6 percent, respectively. The challenges of high interest rates on loans and insufficient amounts of accessed credit by small entrepreneurs in Nakuru were also noted. This is consistent with Thuo (2014) and Chirchir (2017).

An interesting category of entrepreneurs representing 26.6% of the population, reported having no challenges at all in accessing credit. The possible explanation for this could be that their businesses have been in place for a long time, or they have built confidence with the financiers due to regular borrowing and prompt repayment, or maybe they are in low risk, high returns kind of businesses, which credit-giving bodies would gladly take up.

4.2.3 Descriptive Statistics on Entrepreneurship Training

The study used descriptive (Frequencies and percentages) statistics to analyze entrepreneurship training of entrepreneurs, sources of training, skill deficiencies and perceived benefits of training. First, entrepreneurs were analysed for whether they had been trained before or after starting business. Results were as shown in Table 4.11.

Table 4.11: Entrepreneurship training

		Frequency	**Percent**
Entrepreneurship training	Not Trained	70	29.0
	Before Business	74	30.7
	After Business	97	40.2
	Total	241	100.0

Source: Research Data 2019

40.2 percent of business owners reported to have received entrepreneurship training after starting their businesses while 30.7 percent reported seeking training before starting their businesses. 29.0 percent of entrepreneurs reported to have never received any kind of training. However, there were some who reported having been trained in skills relevant to their jobs (e.g. mechanics and hair stylists) and not necessarily in business managerial skills.

For those who had received entrepreneurial training, information was sought as to who conducted the training. This information was analysed and reported in Table 4.12.

Table 4.12: Sources of Entrepreneurship Training

		Frequency	Percent
Trainer	Government Institution	27	11.2
	Financial institution	98	40.7
	NGO	34	14.1
	Educational Institution	59	24.5
	Worked with Mentor	23	9.5
	Total	241	100.0

Source: Research Data 2019

A majority of the MSE owners, 40.7 percent, reported having received training on financial and business management from financial institutions upon borrowing. These are the lending institutions, which mainly train on book-keeping and other financial management skills so as to ensure that the borrowed loans would be repaid. Government Institutions offered the minority of the entrepreneurship training in Nakuru County, representing only 11.2 percent, which is in line with Munene (2013), who observed government institutions lacked adequate capacity to offer training. Therefore, the problem can be viewed as a country-wide problem and not confined to Nakuru County. The government needs to build its capacity and consequently offer adequate entrepreneurial training to prospective MSE owners.

Despite training given, entrepreneurs felt they still lacked certain entrepreneurial skills. Analysis of these perceived training needs was done and that information is presented in Table 4.13.

Table 4.13: Skill Deficiencies

		Frequency	Percent
Training needs	Business Management	19	7.9
	Financial Management	52	21.6
	Technical Skills in own trade	38	15.8
	Proper Record Keeping	40	16.6
	Marketing	53	22.0
	Customer Support	39	16.2
	Total	241	100.0

Source: Research Data 2019

A majority of entrepreneurs reported lack of marketing, financial management, proper record-keeping skills and customer support; representing 22.0, 21.6, 16.6 and 16.2 respectively of reported skills deficiencies. This is representative of the need for the government and other stakeholders in the sector to further offer entrepreneurship training resources in the County to address these issues. Thuo (2014) observed the widespread deficiency in entrepreneurial skills in Nakuru, which derailed the performance of MSEs in the selected towns.

Conversely, those who had received training reported a variety of ways in which the training had benefitted them in their businesses. Results of analysis of these perceptions are presented in Table 4.14.

Table 4.14: Perceived Benefits of Training

		Frequency	Percent
Perceived benefits of training	Identify Business Opportunity	30	12.4
	Financial Management	124	51.5
	Records and Books of accounts	54	22.4
	Start Business	25	10.4
	Marketing Skills	8	3.3
	Total	241	100.0

Source: Research Data 2019

51.5 percent of entrepreneurs reported improved financial management skills after training, which is in line with the training given by lending institutions. Another 22.4 percent reported improved record keeping skills and 12.4 reported improved ability to identify business opportunities. A minority of 3.3 percent reported improved marketing skills. This illustrates the need for marketing skill training by institutions in Nakuru. The results in Table 4.13 and 4.14 are consistent and corroborative. These findings are in agreement with Wairimu (2017) who observed entrepreneurship training mainly improved financial management skills in entrepreneurs.

4.2.4 Descriptive Statistics on Performance of MSEs in Nakuru County

The study used descriptive statistics (Frequencies and percentages) to analyze average output of enterprises and number of employees. One indicator of performance of an enterprise is average output. This information was analysed and reported in Table 4.15 for MSEs in Nakuru County.

Table 4.15: Average Output

		Frequency	Percent
Average Output (Ksh.)	Below 50000	89	36.9
	50000-100000	85	35.3
	100000-150000	34	14.1
	150000-250000	15	6.2
	250000-500000	12	5.0
	Above 500000	6	2.5
	Total	241	100.0

Source: Research Data 2019

36.9 percent of MSEs reported an average output of less than Ksh. 50,000 compared to only 2.5 percent reporting an average output of above Ksh. 500,000. This is representative of a large number of these businesses being micro enterprises with low turnover and low

employment capacity. This is proof of the need for improvement of the macro-economic environment in the county to encourage the growth of these businesses from micro to small and medium enterprises.

As mentioned earlier, both the performance as well as the size of a business can be indicated by the employment capacity of that business. This information was sought results of analysis are reported in Table 4.16.

Table 4.16: Number of Employees

		Frequency	Percent
Number of employees	None	75	31.1
	Less than 2	85	35.3
	2-5	64	26.6
	5-10	15	6.2
	Over 10	2	0.8
	Total	241	100.0

Source: Research Data 2019

According to theory, micro enterprises are businesses with up to 10 employees while small businesses have up to 50 employees. 99.2 percent of the total sample was comprised of micro enterprises, with small enterprises forming only 0.8 percent of the sample. Approximately 66% of these enterprises were ran by one or two people, indicating a low capacity of these businesses to absorb labour. This illustrates low levels of growth in enterprises and calls for further interventions by the government and other stakeholders to improve the business environment in these towns.

4.3 Diagnostic Tests

The study conducted diagnostic tests on Average output of Business, Amount of Loan Borrowed, Challenges Faced by Entrepreneurs, Loan Frequency, Entrepreneurship

Training, Training Reasons and Trainer variables and their results are shown in Figures 4.1 to 4.7.

4.3.1 Normality Test

The study used P-P normality plots to test the normality of data. The P-P plot for Average output is presented in Figure 4.1.

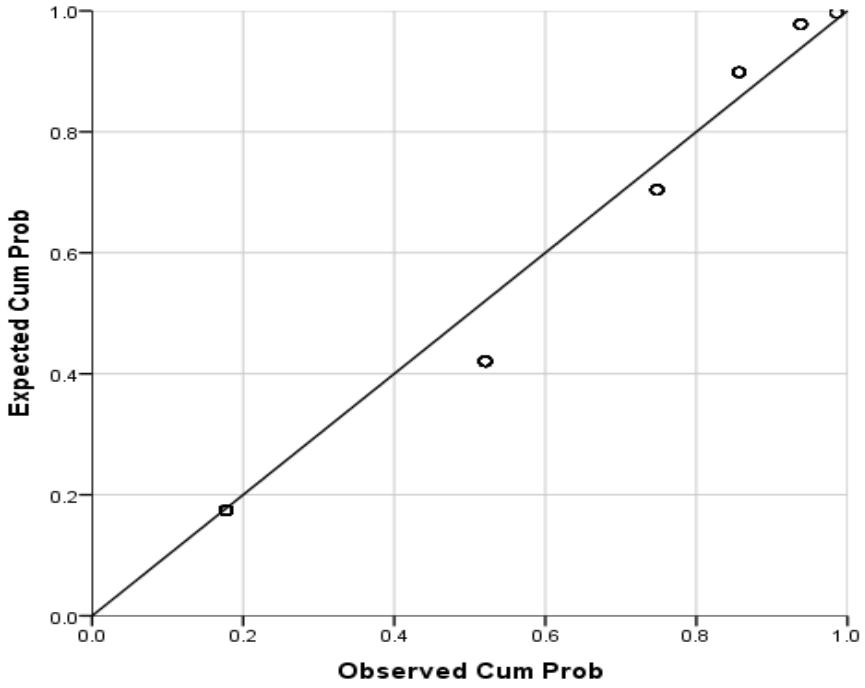

Figure 4.1: Normal P-P plot of Average output of Business

Based on Figure 4.1 the P-P plot shows that the data of average output of business was normally distributed.

The second variable tested was that of amount of loan borrowed. Results of this test are plotted in Figure 4.2.

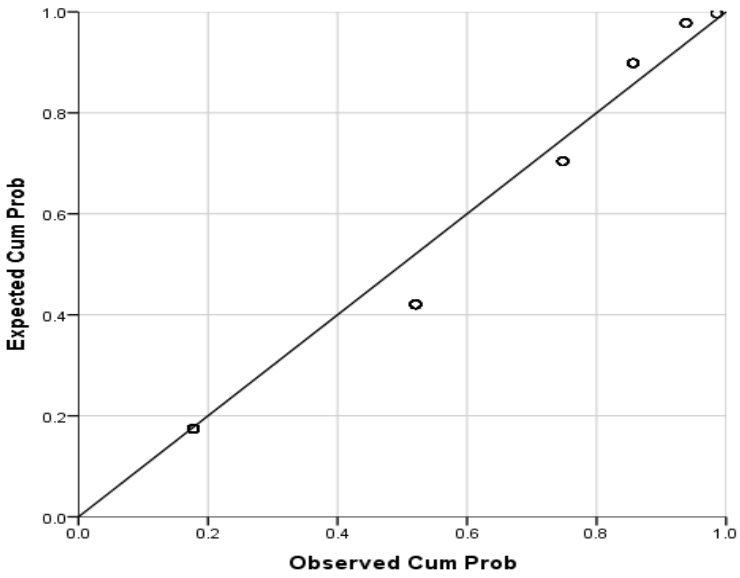

Figure 4.2: Normal P-P plot of Amount of Loan Borrowed

Based on Figure 4.2 the P-P plot of amount of loan borrowed shows that the data was normally distributed. The third variable was challenges faced by MSEs while trying to access loan facilities. This is plotted in Figure 4.3.

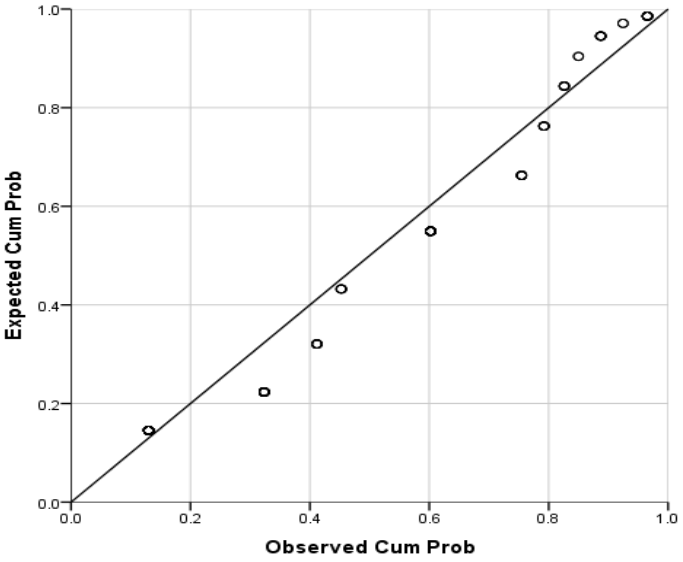

Figure 4.3: Normal P-P plot of Challenges Faced by Entrepreneurs

Based on Figure 4.3 the P-P plot of Challenges faced by entrepreneurs was normally distributed. The frequency of loan borrowing by entrepreneurs was plotted in Figure 4.4.

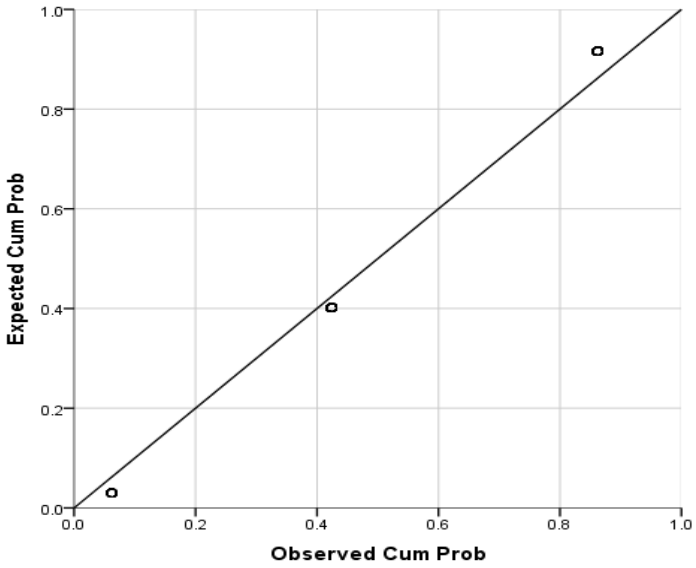

Figure 4.4: Normal P-P plot of Loan Frequency

Based on Figure 4.4 the P-P plot of loan frequency was normally distributed. Next, the variable of entrepreneurship training was plotted as shown in Figure 4.5.

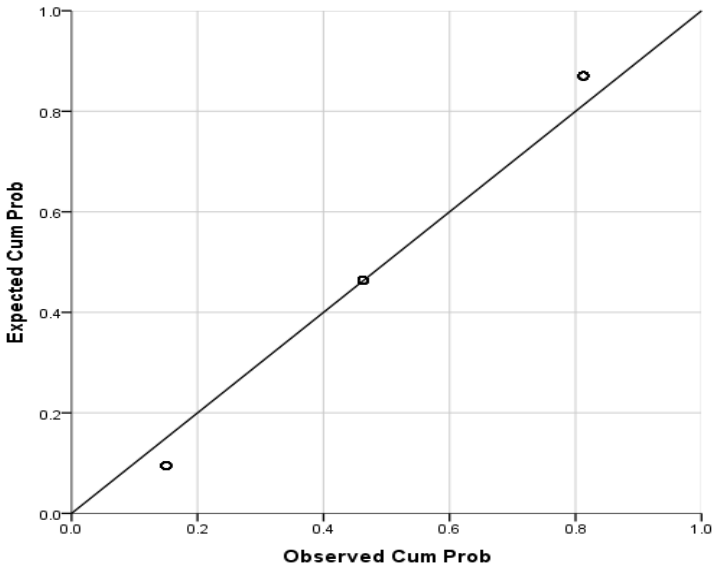

Figure 4.5: Normal P-P plot of Entrepreneurship Training

Based on Figure 4.5 the output of P-P plot of entrepreneurship training was normally distributed. Benefits of training as a variable was also plotted and the resultant plot is given in Figure 4.6.

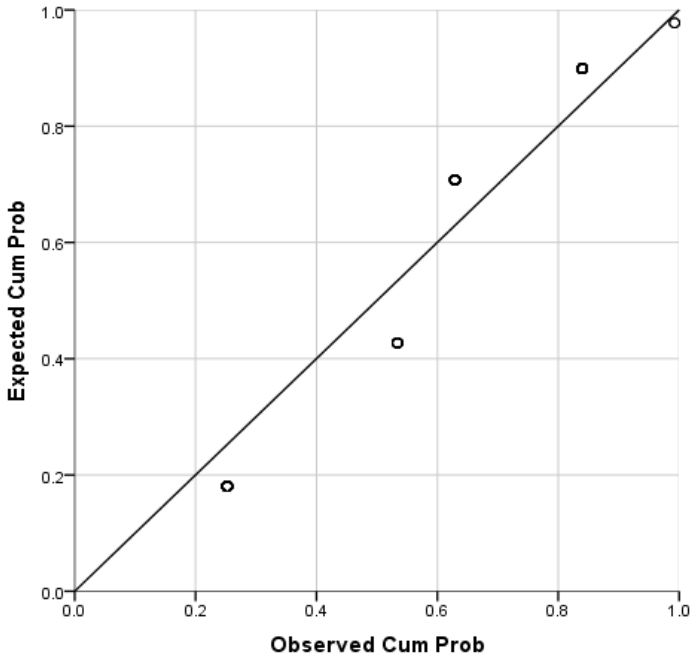

Figure 4.6: Normal P-P plot of Training benefits

Based on Figure 4.6 the output of a P-P plot of training reasons was normally distributed. Finally, the variable of trainer is plotted in Figure 4.7.

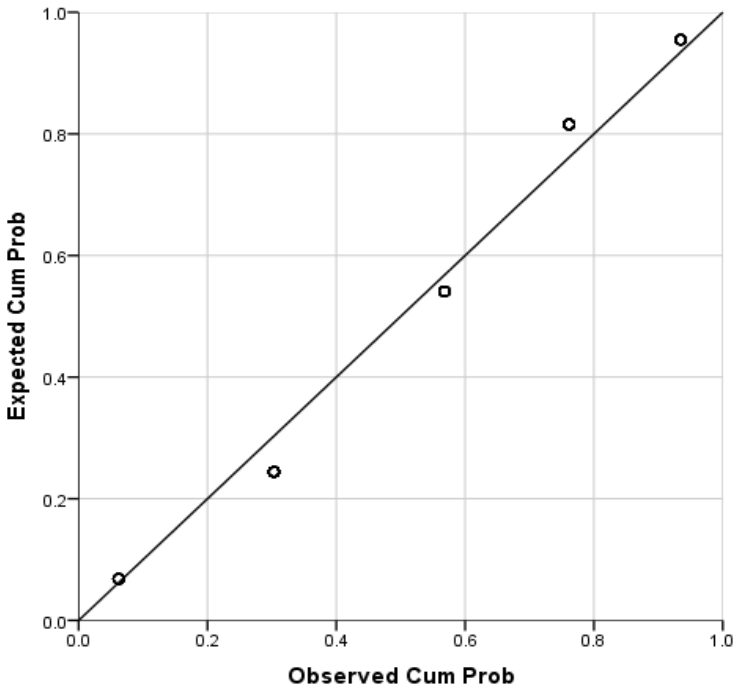

Figure 4.7: Normal P-P plot of Trainer

Based on Figure 4.7 the output of a normal P-P plot of trainer was normally distributed. Therefore, these variables passed the normality test and then subjected to a second diagnostic test, that of multi-collinearity.

4.3.2 Multi-Collinearity Test

The study used variance inflation factors (VIF) to test for Multicollinearity. According to Field (2009) VIF values in excess of 10 are an indication of the presence of Multi-collinearity. The results in Table 4.17 present variance inflation factor results and these were found to be less than 10 and thus according to Field (2009), there is no Multicollinearity.

Table 4.17: Collinearity Statistics

	Collinearity Statistics	
	Tolerance	**VIF**
Amount of loan borrowed	0.904	1.106
Frequency of loan borrowing	0.843	1.187
Challenges	0.928	1.078
Entrepreneurship training	0.994	1.006
Training Benefits	0.820	1.220
Trainer	0.819	1.222

Source: Research Data 2019

4.4 Regression Analysis

The study further did a multivariate linear regression analysis to determine the effect of credit and entrepreneurship training on performance of MSEs in Nakuru County.

4.4.1 Effect of Credit on Performance

The first objective of the study was to establish the effect of credit on performance of MSEs in Kenya. Credit represented the independent variable while the dependent variable was represented by total output accrued by the MSE's. The effect of credit on performance of the business was analyzed using the multivariate regression equation given as:

$$Y = \beta_\theta + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots 4.1$$

Where:

Y = Performance of the MSEs

β_θ = Constant

β_1 , $\beta_{2\ and}\ \beta_3$= Régression coefficients

X_1 = Amount of credit

X_2 =Challenges of borrowing

X_3 =Frequency of borrowing

Ɛ =Error term

Effect of credit on performance of the enterprises was analysed using linear regression and results presented in Table 4.18.

Table 4.18: Regression Analysis of the Effect of Credit on Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.373[a]	0.139	0.128	1.178

a. Predictors: (Constant), Challenges, Amount, Loan frequency

b. Dependent Variable: AVG Output

ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	53.108	3	17.703	12.760	.000[b]
Residual	328.809	237	1.387		
Total	381.917	240			

a. Dependent Variable: Average Output

Coefficients

	Unstandardized Coefficients		**Standardized Coefficients**		
Model	**B**	**STD Error**	**Beta**	**t**	**Sig**
(Constant)	1.741	.338		5.143	.000
Loan Amount	.225	.042	.335	5.398	.000
Challenges	-.074	.026	-.197	-2.877	.004
Frequency	-.130	.114	-.080	-1.140	.255

a. Dependent Variable: Average output

Source: Research Data 2019

According to the regression results in Table 4.18 the linear regression model specifies that credit amount and challenges faced in accessing credit accounted for close to 14.0% (R^2 = 0.139) of performance of the MSEs in Nakuru County. The un-standardized beta coefficient of the variable amount of credit accessed ($\beta = 0.225$, $p < 0.05$) was a good predictor of performance of the MSEs. This means that those businesses that access higher amounts of loan will tend to perform better than those that can only access small amounts of credit. It is therefore hypothesised that a unit increase in loan amounts causes an increase of 0.225 units in performance.

The challenges faced in accessing credit had a coefficient of (β= -0.074) indicative of the negative effects of limitations to credit access on the performance of MSEs. Fewer and less stringent terms of borrowing will lead to better performance of MSEs in Nakuru County. An increase in the challenges in accessing credit causes a decrease in performance.

Frequency of loan borrowing was also shown to have a negative effect on business. The frequency of borrowing has a coefficient of (-0.130), which is indicative of the fact that frequency of borrowing does not necessarily translate to better performance of the business. The possible explanation for this could be that not all the money borrowed is injected into the business, and some funds borrowed are poorly invested or put into other non-core uses; and hence do not improve the performance of a business. The linear regression results above generally show that the amount of credit accessed has a statistically significant positive influence on performance of the MSEs in Nakuru County.

This is consistent with Ogeta (2016), Muiruri (2014) and Mugori (2012) among other researchers who noted that the access to credit by small entrepreneurs improved the performance of their businesses. Businesses that had better access to credit facilities fared better than those without. While challenges like high interest rates and collateral

requirements and the poor investment and management of borrowed funds, derailed the performance of the business.

4.4.2 Effect of Entrepreneurship Training on Performance

The second objective of the study was to establish the effect of entrepreneurship training on financial performance of MSEs in Kenya. Entrepreneurship training being the independent variable and Revenue representing the Dependent Variable. The effect of entrepreneurship training on the performance of the business was analysed using the multivariate regression equation given as:

$$Y = \beta_\theta + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \quad \ldots\ldots 4.3$$

Where:

Y = Performance of the MSEs

β_θ = Constant

β_1 , $\beta_{2\ and}$ β_3= Régression coefficients

X_1= Entrepreneurship Training

X_2 = Benefits of training

X_3 = Trainer

Ɛ =Error term

Results of analysis of the effects of training on performance are presented in Table 4.19.

Table 4.19: Regression Analysis of the Effect of Entrepreneurship Training on Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.228[a]	0.052	0.040	1.236	1.320

a. Predictors: (Constant), Trainer, Entrepreneurship training, Benefits of training

b. Dependent Variable: Average output

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	19.774	3	6.591	4.314	0.006[b]
	Residual	362.143	237	1.528		
	Total	381.917	240			

a. Dependent Variable: Average output

b. Predictors: (Constant), Trainer, entrepreneurship training, perceived benefits

Coefficients

	Unstandardized Coefficients		**Standardized Coefficients**		
Model	**B**	**STD Error**	**Beta**	**t**	**Sig**
(Constant)	2.186	0.295		7.405	0.000
Entrpreneurship training	0.198	0.097	0.130	2.043	0.042
perceived benefits	0.096	0.085	0.072	1.130	0.259
Trainer	-0.175	0.067	-0.167	-2.612	0.100

a. Dependent Variable: Average output

Source: Research Data 2019

According to the regression results in Table 4.19 the linear regression model specifies that entrepreneurship training accounted for 5.2% ($R^2 = 0.052$) of performance of the MSEs in Nakuru. The un-standardized beta coefficients indicate that entrepreneurship training

administered after starting a business (β = 0.198, $p < 0.05$) was a strong predictor of performance of the MSEs. Businesses run by trained and skilled entrepreneurs are more likely to perform better and survive longer. All factors held constant, a unit increase in Entrepreneurship training increases the performance of the MSEs by 0.198 units.

The perceived benefits of entrepreneurship training was observed to have a coefficient of (0.096) although it was found not to be a significant variable in the study (sig = 0. 259, $p < 0.05$). Inadequate training offered by trainers, notably government institutions and mentors, poorly prepared the MSE owners to successfully run their businesses, indicated by the negative beta coefficient (-0.175). Therefore, the linear regression results above generally show that entrepreneurship training has a statistical positive significant influence on performance of the MSEs in Nakuru County.

This is consistent with the human capital theory, which argues that education that is accompanied with training helps raise productivity of owner/manager through imparted knowledge and skills and thus enhances growth and performance of an enterprise. Odhon'g and Omolo (2015) in their study observed that training improved the performance of a business.

Wairimu (2017), Karanja (2014) and Kisaka (2014), among other researchers also observed training in sector specific skills improved the performance of enterprises. Munene (2013) observed that inadequate training offered by government institutions poorly prepared the small enterprise owners to run successful businesses in Nakuru County. The above linear regression model specifies that Entrepreneurship training positively influences the Performance of the MSEs.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND POLICY IMPLICATIONS

5.1 Introduction

This chapter summarizes the findings of the study in relation to the research objectives, literature review and main variables of the study. Policy implications, recommendations and areas for further study are also provided in the chapter.

5.2 Summary of the Study Findings

The purpose of this research was to assess the effect of credit and entrepreneurship training on performance of micro and small enterprises in Nakuru County. The analysis of data provided insight on the influence of these factors on the performance of micro and small enterprises in four administrative sub-counties in Nakuru County. Specifically, the findings of the study revealed that credit and entrepreneurship training were significant determinants of performance of MSEs in Nakuru County. The findings were summarized as per the research objectives.

5.2.1 Credit and Performance of MSEs in Nakuru County

The first objective of the study was to determine the effect of credit on the performance of MSEs in Nakuru County. Based on the findings, the amount of credit and the challenges of accessing credit were observed to be significant variables. Empirical findings indicated that the amount of credit accessed has a positive and significant effect (β=0.225) on performance of sampled MSE's. Insufficient loan amounts offered to small entrepreneurs may not be adequate for the effective implementation of a business idea and plan. On the other hand, the larger the loan size the better the success of business project, efficient repayment, increased profits and growth in firm assets.

The challenges faced in accessing credit facilities by these firms has been highlighted as a significant variable in the study with a beta coefficient of (β= -0.074) indicating the negative effects of limitations to credit access on the performance of MSEs. The lack of guarantors, lack of sufficient collateral and high interest rates on loans were among the dominant challenges faced by small entrepreneurs in the County.

5.2.2 Entrepreneurship Training and Performance of MSEs

The second objective of the study was to establish the effect of entrepreneurship training on the performance of MSEs in Nakuru County. Based on the results, it was established that entrepreneurship training especially in financial and business management, had a positive and significant influence on the performance of MSEs (β=0.198).

Among the variables studied under entrepreneurship training it was found that the trainer was not a significant determinant of performance of the enterprise. The trainer variable is observed to have an inverse relationship with performance of enterprises. Training was observed to increase the business profits and efficiency thus having a significant influence on the growth of an enterprise. Inadequate training administered by a trainer is therefore hypothesized to have a negative association with a firm's performance. The perceived benefits of training variable, is observed not to be a significant determinant of the performance of an enterprise (sig = 0.259, $p < 0.05$).

5.3 Conclusions of the Study

The study concludes that credit access has a positive and significant effect on the performance of MSEs in Nakuru County. This means that MSEs with access to sufficient loan amounts and conducive borrowing terms perform better than those without similar conditions.

Entrepreneurship training has a positive and significant effect on the performance of MSEs in Nakuru County. This means that MSEs run by trained individuals are more likely to perform better compared to those managed by untrained individuals. Consequently, a combination of both credit availability and owner manager training, is most likely to produce higher turnovers, hence increased performance of businesses.

5.4 Policy Implications

Based on the findings, this study recommends the following actions by the various stakeholders in the MSE sector. Affordable and adequate entrepreneurship training resources should be availed by the government and other stakeholders to MSEs to help improve their performance. By the government investing adequately in this sector, it can bridge the training gap in the country, especially observed in the rural areas.

Various governmental institutions that offer entrepreneurship-training services such as Kenya Institute of Business Training (KIBT), Kenya Industrial Research (KIR) among others, should consider offering their services to micro and small enterprises since they form the bulk of the entire sector and are underserved. Lack of skills and business knowledge has seen a majority of the enterprises failing to grow from micro to small and large enterprises. The integration of entrepreneurship training into formal education systems by the government could help foster an entrepreneurial culture in the country as observed in European countries.

The MSEA County government offices should further initiate training programs geared towards imparting entrepreneurship skills on the MSE population in the county, with focus on the youth, which could help reduce the rate of youth unemployment. Non-Government Organizations (NGOs), like Nafisika Trust, Organizations like Centonomy, initiatives like STRYDE and Commercial banks like Equity bank should continue providing training on

record keeping, marketing and financial and business management to entrepreneurs in Nakuru County, as these are the skill deficiencies commonly observed in this study.

To bridge the small business-financing gap, MSE owners should be trained on financial management by lenders to enable them to properly invest and establish a good credit history, which increases their access to credit facilities from financial institutions. The Central bank, in collaboration with commercial banks, should loosen their borrowing terms by lowering their collateral requirements and interest rates on loans to micro and small enterprises, which will further increase their access to credit services.

The mobile banking industry is noted to be increasingly popular with entrepreneurs in Nakuru for its convenience and reach. However, it should be regulated to cap the interest rates levied on loans. These loans are reported to have high interest rates and offer inadequate amounts of accessible credit. The government should also offer incentives to the institutions that provide support to the MSE's like commercial banks, micro finance institutions and SACCOs among others, which in turn, will lower the cost of borrowing by these enterprises.

5.5 Areas for Further Study

This study was focused on the effect of entrepreneurship training and credit on the performance of micro and small enterprises in four sub-counties in Nakuru County. Numerous factors such as the geographical location, infrastructure and technology, business support services like incubation offered to micro and small enterprises may have an effect on the performance of enterprises. Further research should therefore be undertaken to determine the effect of each of these factors on performance of micro and small enterprises.

Secondly, the scope of this study was narrowed to micro and small enterprises in Nakuru County, and it did not extend to medium and large enterprises. Therefore further research should be undertaken to determine the effect of training and credit on performance of large enterprises for comparability.

Also, the study was confined to Nakuru County, implying that the findings can only be used to make countrywide generalizations with caution. Therefore, further research should be done in different regions on factors affecting the performance of MSEs, especially rural parts of the country, to ensure wider reaching application.

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APPENDIX I: RESEARCH QUESTIONNAIRE

The researcher is a student in Kenyatta University, undertaking research on Credit access, Entrepreneurship training and growth of Micro and Small enterprises (MSEs). I wish to assure you of confidentiality of information given and that it will be for research purposes only. You are kindly requested to complete the questionnaire honestly and give as much detail as possible. Where necessary tick appropriately

SECTION A: ENTREPRENEUR INFORMATION

1. Age:

a) up to 20 years	(1)	c) 31 to 40 years	(3)
b) 21 to 30 years	(2)	d) Over 40 years	(4)

2. Gender: Male (0) Female (1)
3. Marital status: Single (1) Married (2) Widowed (3) Other (4) specify
……..

4. What is your highest level of education?

a) None	(0)	d) Technical & vocational certificate	(3)
b) KCPE	(1)	e) Diploma	(4)
c) KCSE	(2)	f) University/College degree	(5)

g) Other (6) …….

5. Number of years in business:

a) Less than 2 years	(1)	c) 5 to 10 years	(3)
b) 2 to 5 years	(2)	d) Over 10 years	(4)

SECTION B: THE ENTERPRISE

6. Type of the business

a) Retail shop	(1)	i) Car wash	(9)
b) Grocery	(2)	j) Boutique	(10)
c) Butchery	(3)	k) Chemist	(11)
d) Garage	(4)	l) Hospitality	(12)
e) Tailoring	(5)	m) Services	(13)
f) Financial	(6)	n) Salon/Barber shops	(14)
g) Stationary	(7)		
h) Flour mill	(8)		

Other (0) specify……..

7. Number of Employees:

a) Less than 2	(1)	c) 5 to 10	(3)
b) 2 to 5	(2)	d) Over 10	(4)
e) None	(0)		

SECTION C: ACCESS TO CREDIT

8. What was the source of your start-up capital?

a) Personal savings	(1)	c) bank, micro-credit, SACCO loans	(3)
b) borrowed from friends and family	(2)	d) loan from government agencies	(4)

 other (0) specify) ……

9. How much was your start –up capital?

Below Kshs. 5,000	(1)	20,001 – 30,000	(4)
5,000 – 10,000	(2)	30,001 – 40,000	(5)
10,001 – 20,000	(3)	Above 40,000	(6)

10. (a) Have you ever applied for a loan from any financial institutions?

(i) Yes (1) No (2)

(ii) Please indicate the institution:

Commercial Banks	(1)	Mobile Money	(4)
SACCO	(2)	Table Banking/Chamaa	(5)
Micro-Credit Institutions	(3)	Government Agencies	(6)

(b) If No, why?

a) fear for loans	(1)	c) lack of collateral	(3)
b) lack of proper information	(2)	d) no need for loan	(4)

 other reasons (0) specify) ……

(c) If yes, did you succeed to get the loan?

Yes (1) No (2)

(d) What were the major challenges you experienced while sourcing the loan?

a) Lack of sufficient collaterals (1)	f) absence of a substantive credit history (6)
b) Need to have operated bank account for some time (2)	g) Too many requirements (7)
c) My business was non-existent (3)	h) Too much paper work (8)
d) Lack of trust by guarantors (4)	i). High Interest paid (9)
e) Lack of self-sustaining resources (5)	j). Short Repayment period (10)
No challenges at all (0)	k). Amount availed too little (11)

□ Others specify (12) ……

(e) How often do you seek loans:

Very often (1) Often (2) Rarely (3)

SECTION D: ENTREPRENEURSHIP TRAINING

11. Were you trained on matters relating to entrepreneurship in formal education system?

Yes (1) No (0)

12. Have you been trained on any entrepreneurship skills after school? Please tick one

Yes [1] No [0]

13. Were you trained before or after starting business? Please tick one.

Before [1] After [2] Not trained [0]

If you have sought training in the past, please answer questions 14-16

14. Why did you seek the training?

a) to gain knowledge in business mgt (1)	d) to enable me start up the business (4)
b) gain knowledge in book keeping (2)	e). to gain knowledge in marketing (5)
c) enhance my financial mgt skills (3)	

□ Other, specify (6)……

15. Who conducted the training?

a) Government institution (1)	d) Educational institution (4)
b) Finance lending institution(s) (2)	e). Worked with a Mentor (5)
c) Non-governmental organization (3)	

□ Other, specify (6)……

16. In what ways does entrepreneurship training conducted benefit you?

a) I was able to identify a business opportunity (1)	d) motivated me to start up my own business (4)
b) enhanced my financial management skills (2)	e) I have gained relevant marketing skills for my line of business (5)
c) enables me to keep record and books of accounts (3)	

□ Other, specify (6)……

(b) What entrepreneurial skills do you feel you would need training in?

a) Business Management (1)	e) Marketing (5)
b) Financial Management (2)	f) Customer support (6)
c) Technical skills in my trade (3)	g) Don't need any additional skill (7)
d) Proper record keeping (4)	

□ Other, specify (8)……

SECTION E ENTERPRISE PERFORMANCE

17. What is your average output sales per month?

a) below Ksh. 50,000 (1)	d) between 150,000 & 250,000 (4)
b) between 50,000 & 100,000 (2)	e) between 250,000 & 500,000 (5)
c) between 100,000 & 150,000 (3)	f) above Ksh. 500,000 (6)

18. What is your average profit per month?

a) Below Ksh. 10,000 (1)	e) 40,001 – 50,000 (5)
b) 10,001 – 20,000 (2)	f) 50,001 – 100,000 (6)
c) 20,001 – 30,000 (3)	g) Above 100,000 (7)
d) 30,001 – 40,000 (4)	h) Not able to tell (0)

I am running at a loss (8)