ENTREPRENEURIAL FACTORS INFLUENCING BUSINESS PERFORMANCE AMONG SMALL AND MEDIUM ENTERPRISES IN MURANG’A COUNTY

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ABSTRACT

The general objective of this study was to investigate the factors influencing business performance in SMES in Murang’a County, a survey of SMES in Murang’a County. The two specific objectives of the study included: To establish the influence of access to finance on business performance among small and medium enterprises in Murang’a County and to examine the influence of entrepreneurial training on business performance among small and medium enterprises in Murang’a County. The study used a descriptive survey research design. The study’s target population was 375 SME’S, from which a sample of 113 respondents was drawn for the study using 30% of the target population. This included SME’S in these sectors, agricultural, carpentry, rabbit farming, poultry business, dairy farming and mechanics. The sample was selected through stratified sampling techniques. The researcher collected data using both structured and unstructured questionnaires and also through use of interview schedules. Quantitative data was analyzed using descriptive statistical tools namely frequencies, percentages, mean and standard deviation, while inferential statistical tools such as correlation and regression were used to determine and explain variable relationship; through SPSS version 22 computer program. The study recommends that Entrepreneurs in the SME sector should ensure there is a training policy in the organization. The study recommends that financial institutions should be in a position to give loans and other credit facilities and financial advisory services to SME’S in order to equip them with knowledge on financial management to help them expand their businesses. The financial institutions should assess the entrepreneur’s credit worthiness before issuing loans and they should not assess factors as gender and an individual’s age. The study recommends that future researchers should focus on other variables that may influence SMES business performance and growth such as availability of markets, laws and regulations, infrastructural networks. A similar study could be carried out in other sectors such as women owned SMES and also other SMES in other counties to find out whether the same results shall be obtained.

Key Words: Entrepreneurial Training, Access to Finance, Business Performance, SMEs
INTRODUCTION

The informal sector is increasingly viewed as an important engine for employment creation and economic growth. Small and medium enterprises (SMES) are modern and productive economic sectors in the world (Beyene, 2002) and ride the great wave of innovation and economic development (World Bank, 2014). Economic studies relating to enterprises have tended to focused on large enterprises utilizing scale economies (Gray, 2009). Small and medium sized enterprises have only just emerged as a field of study in its own right as a result of the innovations and the solution they provide to different economic problems, particularly in terms of employment. Entrepreneurs play an important role to spur the economic development of every nation. This implies that the county relies essentially on its entrepreneurs and small business (Roig, 2007). The growing numbers of the small and medium sized enterprises who are majority of entrepreneurs play a vital role in contributing to the economy and are likely to be increasingly important as the economy becomes more global. They even provide more jobs than large companies (Allan, 2009). In many cases, entrepreneurial activated upsurge competition and with technological and operational advancement their productivity in the long run increases the output of economies. (Tullberg, 2004). SMES play an important economic role in many countries over the world (World Bank, 2010) while it has been argued that a small firm because of its size can only make a minor contribution to the economy as there are so many small firms their collective contributions is substantial. For example, according to data from the European observatory (ENSR, 2001) SMES employing up to 250 people accounted for 68 million jobs in the European Union in 1995.

In the United States, for example, small businesses provide approximately seventy five percent (75%) of the net new jobs. According to Vivarelli (2013), this increases the American economy each year and represents over Ninety Nine percent (99%) of all united states employers. The small businesses in the United States are often ones created by self-employed entrepreneurs.

In developed countries, SMES have historically played a vital role in creating jobs spurring innovations and creating new products and thus contributed to economic vitality and growth. The Organization for Economic Co-Operation and Development (OECD, 1996) pointed out that SMES provided the largest proportion of jobs over two thirds in the EU to over 50 percent (50%) in the United States. In the case of developed countries, for example Germany, the economy is characterized as having strong SMES and above two thirds of the workers are employed by these enterprises.

The modern and productive economic sectors in Africa are dominated by small businesses (Beyene, 2002). Most African entrepreneurs are owners of SMES and they have ultimate responsibility to nature their firms in order to continue to play a principal role in promoting and nurturing a widespread tradition of innovation and entrepreneurship across the continent. Available data from some African counties show that in 2003 SMES in Kenya employed 3.2 million people and accounted for 18 percent of the national Gross Domestic Product (GDP). SMES in Kenya represent a vital part of the economy being the source of various economic contributions through the generation of income, engine for employment and poverty alleviation is widely recognized (Sessional Paper No. 2 of 2005) Rok, 2005. According to Economic survey (Rok, 2014) SMES contributed 79.8% of new jobs and over 70% of GDP in 2013. They have been the means through which accelerated growth and rapid industrialization have been achieved (Koech, 2011). In Kenya, employment within the sector accounts for 87% of all the new jobs created and it employs 77% of the total number of employees in the country (GOK, 2005).
In addition, the sector accounted for 85% of the total number of employees in the manufacturing sector and 47% of the manufacturing firms in 2005. Accordingly, governments and sonars alike have recognized the important role of the SME sector for overall development. The government of Kenya has offered more support to SMES in addition to infrastructural support, marketing and make access, management technology upgrade, quality control and improvement, research and development and financing facilities, among other forms to support to the SMES sector (Economic Survey 2014).

As a result, many government policies are geared towards supporting SME sector growth through a variety of programmes that range from tax incentives to technical assistance, from regulatory provisions intervention, training and other types of business development services (Kagiri, 2005). SMES cut across all the sector of Kenya’s economy and provide one of the most prolific sources of employment and are the breeding ground for large industries which are critical to industrialization.

However although the government of Kenya has been providing support to the SMES sector, some have remained small and others have collapsed. (Grilo & Irigoyen, 2006) observed that SMES predominant personality is key determinant of the true entrepreneur and between successful and less successful entrepreneurs. There is growing evidence suggesting that certain behaviours or personal characteristics of the entrepreneurs such as training, skills, educational level and experience and access to finance have an impact on business performance. These are the entrepreneurial internal forces that will drive and motivate individual entrepreneurs so that they can start, grow and expand their business operations of SMES. The purpose of the study is to investigate the entrepreneurial factors influencing business performance among SMES in Murang’a County.

Statement of the Problem

Despite the apparent significance associated with SMES, government support and assistance in terms of finance and non – financial facilities, numerous policy initiatives introduced so as to accelerate the growth and survival of SMES, their performance is dismal and disappointing. Some have remained small, while others collapsed and their failure rate remains high (Haron, 2010). The mortality rate of SMES in Africa remains very high (Business Time, 2005). For example, mead (2004) in his study of Five African countries found that most firms expanded, furthermore, less than 1% grew to a size of about 10 employees. Friedman (2008) in his study of 214 micro enterprises in the Northern region in Nigeria within an eight year period reported that only 4 had graduated into small and medium firms.

Many entrepreneurs in the SME sector face serious challenges when it comes to training and development opportunities. Some of these entrepreneurs are not properly trained on the current market trends, issues to do with product development, marketing of their products and adoption of information technology in their business. Due to lack of the necessary training, they lack the basic skills, knowledge, and attitudes for efficient performance. Through training the following benefits can be obtained; it helps the firm to gain competitive advantage, employee satisfaction, employee motivation, and efficiency in processes resulting in financial gain, enhance a firm’s image, helps in risk management, it leads to improved productivity, leads to reduction of mistakes and accidents and also leads to improved task expertise (Armstrong,2006).

Access to finance has been identified as a dominant constraint facing SMEs (Lader, 2006). A World Bank study found that about 90% of small enterprises surveyed stated that credit was a major constraint to new investment (Parker et al., 2005). Levy (2003) also found that, there is limited
access to financial resources available to smaller enterprises compared to larger organizations and the consequences for their low growth and development. This stems from the fact that SMEs have limited access to capital markets partly due to the perception of higher risk, informational barriers, and the higher costs of intermediation for smaller firms. (Peterson, 2004).

In Kenya, entrepreneurs do not benefit from training due to lack of training policies to guide training providers. There has been poor coordination by the various training service providers. As a result, the impact of the training offered has been minimal. The training providers in the sector are not guided by a coherent training policy. This in turn makes it difficult to establish the effect of training on business growth and efficient performance. At the business start-up, survival and growth stages, the focus has been on business development services whose appropriateness needs appraisal to establish the extent to which they are demand driven and value adding (Kagwi, 2015).

**Objectives of the Study**

The general objective of this study was to investigate the entrepreneurial factors influencing business performance among small and medium enterprises in Murang’a County. The specific objectives were:

- To establish the influence of entrepreneurial training on business performance among small and medium enterprises in Murang’a County.
- To examine the influence of access to finance on business performance among small and medium enterprises in Murang’a County.

**LITERATURE REVIEW**

**Theoretical Framework**

**Human Capital Theory**

The human capital theory developed by Smith (1776) and re-invigorated by Schultz (1961) postulate that of instrument in human beings. Training creates assets in the form of knowledge and skills which in turn increases the productivity of the worker. Schultz argued that skilled human resources has been able to acquire these skills as a result of training and development programs or investment in the existing human resource through appropriate on the job training both within and outside the business for example seminars, workshops conferences.

According to Flamholz and lacey (2001) human capital proposes that people’s skills experience and knowledge are a form of capital and that returns are earned from investments made by the employer or employee to develop these attributes. The human capital theory holds that the employees should invest in specific training and further initiation of more promotion opportunities to enhance employee’s career path prospects. Thus the human capital perspective at the level of the organizations due to its emphasis on skills and performance appears to offer more support for generalized investment in the human resource (Armstrong, 2006).

Training is a very important asset because it helps the business to gain competitive advantage satisfaction, employee motivation and efficiency in processes resulting in financial gain and improved productivity.

**Pecking Order Theory**

Pecking order theory was first suggested by Donaldson in 1961 and further modified by Stewart C. Myers and Nicolas M in 1984. It states that companies prioritize their sources of financing (from internal financing to equity) according to the cost of financing, preferring to raise equity as a financing means of last resort.
Financing comes from three sources, internal funds, debt and new equity (Abhijit, 2013). Companies prioritize their sources of financing, first preferring internal financing, and then debt, lastly raising equity as a “last resort”. Hence: internal financing is used first; when that is depleted, then debt is issued; and when it is no longer sensible to issue any more debt, equity is issued Mukherjee & Mahakud, (2012). This theory maintains that businesses adhere to a hierarchy of financing sources and prefer internal financing when available, and debt is preferred over equity if external financing is required. Pecking order theory is a financial theory, which is considered in relation to small operated business enterprise financial management (Atiyet, 2012).

A research study carried out by Palich (2006) found out that 75% of the small enterprises used in a research seemed to make financial structure decisions within a hierarchical or pecking order framework. Stevenson and St-Onge (2005a) admitted that POF is consistent with small business sectors because they are owner-managed and do not want to dilute their ownership. Owner-managed businesses usually prefer retained profits because they want to maintain the control of assets and business operations and their source for external financial help as the last resort.

This explains why many small women owned business do not apply for loans to boost their business operation. According to a study done by Mbugua (2008), many small businesses entrepreneurs prefer to operate within their means by growing their businesses with resources generated from within the business or from the owners other sources of income. Any debt financing is handled very cautiously because of the fear of not being able to pay back. Many small business owners also lack necessary skills for good business and debt management thus shying away from debt.

Conceptual Framework

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<th>Access to finance</th>
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<td>Sources of funds</td>
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Entrepreneurial Training

| Content of training |
| Mentorship/coaching programs |
| Training technique |

SMES Business Performance

| Customer satisfaction |
| Product innovation |
| Return on investment |

Independent Variable | Dependent variable

Figure 1: Conceptual Framework

Review of Variables

Entrepreneurial Training

Entrepreneurs who start a business are keen to see it begin, survive and eventually grow. The non-financial barriers includes lack of the necessary skills, knowledge and linkages. Lack of cohesive skills training a skill training policy and strategy are some of the growth barriers. Lack of management training in the SME sector is evidently a constraint to growth as pointed out by Keruri (2002) where he states that “Lack of Business management skills was the major constraint in the development of small scale enterprises”. Training is defined as an attempt to improve on employee’s performance on currently held job or one which is related to it (Armstrong, 2009). Training is a process for the benefit of skill and effectiveness in terms of their skills, knowledge and attitude as building blocks towards the achievement or wider organization goals to improve organizational efficiency (Dessler, 2008). Learning and development enhances individual’s personal competence, adaptability and employability (Armstrong, 2009).

Another barrier to growth as pointed out in the Global competitiveness index (ACI) report (2007) is that the current Kenyan training curricular is
obsolete and there are major efficiencies in instructional capacities. Training for the informal sector should be fundamentally different from training in the formal sector as it is characterized by a very close link with production, district target group approach and an unconventional delivery for immediate results (Fluitnan, 2009). The training courses should be short and modularized, a mixture of technical and business skills and conducted in evenings and weekends. This can be done by revising the curriculum to include business skills. Smith and Hayton (2009) argue that the final form that training takes depends on the nature of training which includes organizational size, industry sector occupations structure, government training policy and senior management commitment to training. The duration of training also varies and is dependent on the kind of trade or skills one is being trained for. Training can range from six months to five years (World Bank report 2009).

Gakure (1995) states that training helps organizations acquire necessary competencies required to accomplish organizational goals. Goodale (2009) stipulates that training methods are important when the target groups are owner managers with low levels of literacy. Entrepreneurs with a high level of education are likely to succeed in business as evidenced by studies carried out by Trulsson (2007) in Tanzania where successful entrepreneurs are often much better educated than the average. According to Rosa (1996) training also ensures that greater efficiency is achieved through the production of goods and services with a realistic profit margin. The SMEs know what training they want and they should be involved in the design and implementation of the courses (Jones, 2003).

**Access to Finance**

Access to finance is essential for improving SME competitiveness as SMS have to invest in new technologies, skills an innovation. Access to finance issues cannot be resolved by implementing financing schemes or programs in a vacuum. There are institutional issues covering a spectrum from the macro level to the micro level, which are accompanied by capacity deficiencies (Basil, 2005). A wide spectrum such as this may only be tackled by mainstreaming SME development in national frameworks. SMEs must implement sound business practices and continuously invest in good internal management systems; in accounting, planning, financial, operations and human resource management.

SMEs identify finance as their topmost obstacle to growth and investment. High budget deficits and unstable exchange rates and legal, regulatory and administrative environment poses major obstacles to access of SMEs to financing SMES may still face challenges in accessing formal finance in the form of banking loans, guarantees, venture capital and leasing. Moreover, due to high perceived risks in SME loans, access to competitive interest rates may also limit (Chi, 2005). The problem related to finance includes lack of information on where to source for finance, restrictive leading offered by commercial banks lack of access to finance, inefficient financing, lack of track record required by the banks, limited access to collateral and the fact that financial institutions lack appropriate structure for dealing with SMES. As a result of scarcity of finance, small enterprises are unable to expand, modernize or need urgent orders from customers. Capital is therefore necessary for the long term survival and growth of enterprises. It should also be noted that more money than required can be much of a problem as less money. More money means high cost for money in terms of interest and may also lead to un worthwhile investment (Mckee, 2010).

Parker et al (2005) point to finance as one of the key constraints to small enterprise growth. This is worsened by the absence of financial markets in the developing countries. Ngobo (2005) makes a detailed analysis of finance as a constraining factor and includes collateral interest rates, extra bank charges, inability to evaluate financial
proposals and lack of financial management skills as hindrances to small enterprise growth. Lack of access to credit affect technology choice by limiting the number of alternatives that can be considered. Many SMEs may use inappropriate technology because it is the only one they can afford. Credit constraints operates in variety of ways in Kenya where underdeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives (Kaplan, 2010). Financial constraint remains a major challenge facing SMEs in Kenya (Wanjohi et al; 2008). Research finding by McCormic et al (1996) Daniels et al (2003),Kinianjui (2006) show how SMEs are constrained by finance.

**Business performance**
Organizational performance is described as an organization’s ability to acquire and utilize its scarce resources and valuables or expeditiously as possible in the pursuit of its operational goals. (Griffin, 2006). Efficient business performance means that the employee will carry out duties effectively and efficiently to meet agreed job objectives. The ability to effectively manage employee performance can lead to positive outcomes which include; reduced turnover increased profit margins cost saving, customer satisfaction, growth and increased market share (Kirk Patrick, 2006). A performance measurement programme is designated efficiency and effectiveness.

Although performance has been traditionally conceptualized in terms of financial measures, some scholars have proposed a broader performance contract that incorporates non – financial measures including among other market share, product quality, customer satisfaction, customer loyalty and company image. Research findings have shown that perceived measures of performance can be a reasonable substitute of objectives measures of financial performance (Tung, 2005) and have a significant correlation with objective measurers of financial performance.

**Empirical study**
Bullock et al (2004) found that informal management structure and the owners manager’s personal control of strategic and operating decisions hinder SMEs output growth significantly. He further found that MSEs that adopted a more or less formal structure and those that were more innovative depicted higher rate of growth and more especially where the entrepreneur such firms had undertaken found a positive correlation existed between performance and high level of management skills.

Kinta (2004) researching on factors affecting the performance of SMEs in the Jua Kali sector in Nakuru town with objective to investigate the role of finance management skills, macro environment factor and infrastructure on performance of SME. The findings indicated that access to finance had the potential to positively affect performance of SMEs.

A study by Mugo (2012) to investigate factors affecting women entrepreneurs performance showed that lack of entrepreneurial training and education out s=dated technology, poor access to market, mismanagement or resources, lack of management skills and fraud affected the performance. The study recommended that the government should offer business training to women Mambula (2002) singled out lack of access to finances as the main bottleneck facing SME growth which was echoed by Florida et al (1996) and Livard pang (2006) who found that startup capital is a barrier to entry in most entrepreneurial activities and that lack of capital was cited by 80% of all respondents as the greatest startup problem.

According to Maragi (2008) there is a pronounced lack of information gap about why many entrepreneurs do not flourish in their businesses. Available literature attributes this to lack of entrepreneurial skills, education and experiences amongst entrepreneurs.
According to Richard et al (2004) endowed abilities experience trained skills attitudes and behavior are some recurring elements in many definitions of what is understood to be human capital. Various studies have shown a positive relationship between an entrepreneurs level of human capital as measured along the dimensions of age, education, work experience and other variables and new duty performance (Richard et al; 2004)

Ngugi (2013) conducted a study on influence of intellectual capital on the growth of SMEs in Kenya. The findings of the study revealed that the components of intellectual capital such as managerial skills, entrepreneurial skills and innovativeness of the owner/managers have major positive significance contributing to the growth of SMEs in Kenya.

Another study by Gathitu (2007) on factors affecting performance of entrepreneurs in privately run secondary schools in Thika had objectives, to find out factors that entrepreneurs consider important when locating a business, to identify the resources and facilities entrepreneurs consider important for a secondary school, to determine the performance of private secondary school owned by professional teachers, to investigate whether those schools owned by professional teachers are more successful than the rest, to investigate the marketing strategies used by entrepreneurs in private schools, to investigate the problems faced by entrepreneurs in secondary schools and what entrepreneurs thought could solve these problems. The study found out that many entrepreneurs do not assess the need when locating a school, but are mainly attracted to their location by personal convenience. It also found out that marketing strategies used were wanting and that most entrepreneurs appear to have more charity like objectives than business, which explains why their enterprises are not doing well. The study recommended that the government should have a policy change to encourage more entrepreneurs to start private schools. The study notes that the government is the main beneficiary of private schools as their presence would go a long way in reducing its fiscal burden in education. The entrepreneurs should also be more aggressive in marketing their schools. Many location decisions are based on personal preferences that could mean that a business owner will locate a business within proximity. It is important though for an entrepreneur to eliminate personal preferences that are emotional other than rational (Gichira& Dickson, 1991).

Kinyua (2014), researching on factors affecting the performance of small and medium enterprises in the Jua Kali Sector in Nakuru town, Kenya with objectives to investigate the role of finance, management skills, macro-environment factors and infrastructure on performance of small and medium-sized enterprises in the Jua Kali sector in Nakuru town. The findings indicated that; that access to finance had the potential to positively affect performance of SMEs; management skills were found to positively and significantly affect performance of SMEs; macro environment factors were found to significantly affect performance and Infrastructure did not significantly affect performance of SMEs in the study area. The study results also indicated that as number of years in operations increased the performance in SMEs increased. The study recommended that banks should improve access to finance through offering better lending terms and conditions and collateral requirements; focus on acquiring appropriate management skills such as financial, marketing and entrepreneurial skills and effectively strengthen the macro environment in order to increase SMEs performance.

Orser (2000) noted that unavailability or lack of information about alternative sources of finances and inability of SMEs to evaluate financing option were some of the major problems facing the SMEs. Mambula (2002) singled out lack of access to finances as the main bottleneck facing MSE growth which was similarly echoed by Florida et
al, (1996) and Livard Pang (2006) who found that start-up capital is a barrier to entry in most entrepreneurial activities and that lack of capital was cited by 80% of all respondents as the greatest start-up problem.

Maragia (2008) found that initial capital constraints significantly reduced performance for entrepreneurs. Maragia (2008) in a study on Kenyan small manufacturing enterprises in Kariobangi Light Industries found that entrepreneurs that had experienced a shortage of capital in terms of their initial business investments experienced up to 66 percent lower profits. Choices relating to entrepreneurship are constrained by access to capital and liquidity (Gakure, 2003), this also potentially having an exclusionary effect. Financial constraints can be overcome through saving, over the long run and other factors may also affect potential earnings.

For Becker (1993) cited in Kibas (2006), investments in human capital include: schooling, on-the-job training, medical care, migration, and searching for information about prices and outcomes. They differ in their effects on earnings and consumption, in the amounts typically invested, in the size of returns, and in the extent to which the connection between investment and return is perceived. But all these investments improve skills, knowledge, or health, and thereby raise money or psychic incomes.

According to Richard et al. (2004) endowed abilities, experience, trained skills, attitudes and behavior are some recurring elements in many definitions of what is understood to be human capital. Various studies have shown a positive relationship between an entrepreneur’s levels of human capital as measured along the dimensions of age, education, work experience and other variables, and new firm performance (Richard et al., 2004).

According to Becker (1993) general human capital refers to the human capital that is transferable to other contexts. The human capital investment in training, for example, that can be transferred across from one field of work to another would be general human capital. Training that was specific to one field of work and that would entail no benefit in another field would be an example of specific human capital (Becker, 1993), whereby no return on this capital would be found in a different context. Gimento et al. (2007) tested the conception that higher endowments of general human capital in entrepreneurs might be associated with higher requirements, or a higher threshold of continuance that they might have for their enterprise, which if not met might lead to entrepreneurial non continuance. Gimento et al. (2007) found this to be “only partially supported” by their results.

Gimento et al., (2007) found that general management experience (related to managing managers) was related to an increased entrepreneurial survival threshold and they argue that this suggests at the least a degree of comparability between the value of certain forms of general human capital in entrepreneurship and employment. Increased levels of specific human capital would be expected to be associated with increased levels of earnings, because this increase in specific human capital might be associated with increased productivity specific to the enterprise.

A significant factor in terms of earnings is the transmission mechanism whereby increases in human capital in the form of education and training might be associated with increased productivity, which might then be associated with higher levels of earnings (Mogire, 2003). According to Mogire (2003), human capital increases productivity through different effects.

Oliveira and Fortunato (2006) find that small firms face greater financial constraints and that these have a negative impact on their growth. Medium-sized firms face greater financial constraints than large firms. Small firms cannot exploit economies of scale in the same way as large firms can. These
authors claim that since young companies have not accumulated sufficient cash flow and are unable to rely on bank financing, they have to depend on the original equity investment of their owners. The studies conducted in the past have found that the financing constraints are particularly severe in startup enterprises and relatively young firms (three years old or less). For example, Aryeetey et al (2004) conducted a survey of 133 firms, of which 76 had less than 10 workers, in various industries in Ghana in the early 1990s. They found that only 10 percent of startup firms in Ghana could obtain bank loans but older firms are provided with credit three times more often than their smaller counterparts.

A survey was conducted by Levy (2003) in Sri Lanka and Tanzania and reported that 80 percent of firms with 16 or more workers and with 6 or more years in operation are able to access bank loans, compared to the success rate of around 55 percent in the case of smaller firms with 6-15 employees of similar age, and less than 10 percent for firms with 5 or fewer workers, regardless of age.

A study by Kinyua (2011) on the effect of social media on the market access of SMEs in Nairobi investigated on the following specific objectives, To establish the effect of social media on the customer relationship management of SMEs in Nairobi, To establish the effect of social media on the innovativeness of SMEs in Nairobi, To determine the effect of social media on the pricing of products from SMEs in Nairobi. Market access was correlated with increase in profits, which resulted in r = .634, n = 182, p = .011 two tailed. As such, market access has a significant positive relationship with increase in profits. Similarly, CRM was correlated with increase in profits (r = .544, n = 182, p = .003) two tailed and there was also found to exist a significant positive relationship. Studies undertaken in the UK (Carter et al, 2002) indicate that there is an important and direct relationship between training and a firm’s performance. Not only does training increase with firm size (as measured by turnover), but there also appears to be a relationship between training and growth performance in turnover. The highest uptake of training was reported in firms where turnover had increased considerably. In South Africa, successful clothing entrepreneurs were those who had undertaken a number of business and technical training programs (Rogerson, 2000). Enterprise development training provides the necessary skills to promote business and facilitate economic growth (Ndambiri, 2002).

A study by Kedogo (2013) on factors influencing growth and development of small and medium enterprises in Kenya, a case of Huruma division, Nairobi county investigated the following variables, To determine the extent to which education and Training of an entrepreneur influence SME growth and development in Huruma, To determine how peer pressure influences the growth and development of SMEs, To establish the influence of an entrepreneur’s individuals innovativeness on SME growth and development in Huruma (Nairobi), Establish the influence of Registration process and licences on SME growth and development in Huruma (Nairobi). Examine the influence of physical infrastructure on growth and development of SME in Huruma.

A study carried out by Hall (2000) found that SME owner/managers in the UK with little experience at the start-up phase could have problems remaining solvent with an increase in expenditure in relation to their earnings. Kalleberg and Leicht (2001) in their study found no relationship between prior SME experience and firm growth. Storey (1994) found reasonable evidence indicating a negative relationship between being unemployed before starting a business and subsequent business growth.

The study by Fatoki (2014) investigated the entrepreneurial orientation of micro enterprises...
in the retail sector in South Africa and the results revealed adeptness by micro enterprises at Introducing new product lines and also at making changes to the product line, but weakness in research and development, pro-activeness and risk-taking. Ngugi (2013), conducted a study on influence of intellectual capital on the growth of small and medium enterprises in Kenya. The findings of the study revealed that the components of Intellectual Capital such as managerial skills, entrepreneurial skills, and innovativeness of the owner/managers have major positive significance contribution to the growth of SMEs in Kenya.

The study by Ligthelm (2010) primarily aimed at calculating the survival rate of small businesses within the rapidly changing trade environment based on longitudinal empirical surveys, with particular emphasis placed on the role of entrepreneurship in small business survival. The two research questions of the study were the ability of small informal businesses to survive amidst heightened level of competition from large formal businesses and the variables instrumental in ensuring sustainability of survivors. Findings from longitudinal surveys among a panel of 300 small businesses in Soweto between 2007 and 2009 were modeled through a categorical regression model with business survival as dependent variable. The findings suggested that entrepreneurial acumen and business management skills be classified as the strongest predictors of small business survival. Hence, the ability to adjust one’s business model to adapt to changed economic circumstances is an important characteristic of entrepreneurial conduct that ultimately dictates survival in increasingly competitive economic environments (Ligthelm, 2010).

The studies conducted by Ibrahim (2006), provide evidence that management skills are critical factors in both the failure and success of businesses (Lichtenstein & Brush, 2001). They illustrate that accounting, cash flow, and marketing need management skills and lack of them is a major cause of failure. Weaknesses in these areas are found to impact on all other areas of the business. A lack of management skills and expertise is a major constraint hindering the progress of the SME sector in Kenya.

Access to finance has been identified as a dominant constraint facing SMEs (Lader, 2006). A World Bank study found that about 90% of small enterprises surveyed stated that credit was a major constraint to new investment (Parker et al., 2005). Levy (2003) also found that, there is limited access to financial resources available to smaller enterprises compared to larger organizations and the consequences for their low growth and development. This stems from the fact that SMEs have limited access to capital markets partly due to the perception of higher risk, informational barriers, and the higher costs of intermediation for smaller firms. (Biekpe, 2004). Previous studies have identified a growing gap in the financial support offered to Ghanaian SMEs. The high interest rates, collateral requirements and the cumbersome processes have often been mentioned as the main impediments to SMEs’ access to bank loans in Ghana.

Several studies have been carried out focusing on performance of entrepreneurs. Mwania, (2011), did a research on the effect of Biahari Boresha Loan on Performance of Micro and Small enterprises owned by KCB Ruiru branch customers. Gathitu (2007) did a study on Factors affecting performance of entrepreneurs in privately run secondary schools in Thika district. Mugo, (2012), did a study on Factors affecting entrepreneurs’ performance in Kenya dwelling on Nairobi women groups in the Central Business District. Kinyua, (2014), did a study on factors affecting the performance of Small and Medium Enterprises in the Jua Kali Sector in Nakuru town, Kenya. Though the said studies dwelt on performance, they were done in their specific areas and covered specific objectives. Mwania, (2011) for instance did not consider other factors that can affect performance apart from finance.
Gathitu (2007) on the other hand was specific on the entrepreneurs investing in the education sector. Mugo (2012) only considered performance of women entrepreneurs and left out the male entrepreneur. Kinyua (2014) did study on the informal sector in Nakuru town specific to the area. These studies have been done in urban Centres of Nairobi, Nakuru, Thika and Ruiru.

**RESEARCH METHODOLOGY**

The research design for this study was the descriptive research study from a cross sectional approach. A cross sectional survey research design was employed with data being collected at one point in time.

As advanced by Zikmund, Carr, Babin and Griffin (2013), the research design employed in this study was both quantitative and qualitative (involve the use of empirical assessments that involve numerical measurements and analysis for example, the use of questionnaires to collect information and qualitative (aims to achieve an in-depth understanding of a situation (seeking to extract feelings, emotions, motivations, perceptions, consumer language or self-described behavior. The target population comprises of 375 SMEs in Muranga County. According to data obtained from Muranga county, the total number of SMEs was 375. The accessible population in Muranga south sub county was 375 and the sample size was calculated to 113. Stratified random sampling technique was used to select the sample. The study made use of questionnaires as the major tool of collecting primary data. Closed ended questions were used to generate specific responses and allow easy analysis of data, while open ended questions gave the respondents a chance to give more information on entrepreneurial factors influencing business performance among small and medium enterprises in Muranga County. The study also used interviews to collect data; both structured and unstructured interviews were used in data collection. The study applied the internal consistency technique to assess reliability of the instrument. The researcher used both quantitative and qualitative techniques for data analysis.

**FINDINGS**

In this study a total of 113 questionnaires were distributed, a total of 100 questionnaires were returned representing a response rate of 71%.

According to study findings, Majority of the business owners 52% were males while 48% were females. Majority of the business owners 56.0% had attained undergraduate education; 37.3% were diplomas holders while 6.7% had attained post-graduate education. Majority of the business owners 28% had 10-14 years’ experience; 22.7% had more than 20 years of experience; 17.3% had 15-19 years of experience while an equal 16% had 0-4 years and 5-9 years of experience.

**Entrepreneurial Training**

On response on presence of training programs in the business enterprises Majority of the respondents 73% indicated they had training programs in the business enterprises while 27% had no training programs.

**Influence of Entrepreneurial Training on Business Performance**

According to study findings, majority of the respondents agreed that training content provided by the Ministry of Industrialization was easy to understand; they agreed that training provided broadens their knowledge about the business which made them appreciated. They agreed that Mentorship programs had provided them with knowledge and skills to run a profitable business; they strongly agreed that many entrepreneurs failed in their businesses due to lack of training and development opportunities. They agreed that there was a training policy in place and they were aware of it; they strongly agreed that the training technique was easy to
understand and it equipped them with skills and knowledge for business success. They agreed that through training programs, they are efficient in the performance of their business duties and responsibilities. This study finding concurred with those of Namusonge (2006) who noted that entrepreneurial education and training play a key role in stimulating entrepreneurship and self-employment. Imparting entrepreneurial education would help the entrepreneur to attract more customers as well as retaining the existing customers, high turnover and increased performance. The findings on training were also in agreement with the following authors: Smith and Hayton (2009) argue that the final form that training takes depends on the nature of training which includes organizational size, industry sector occupations structure, government training policy and senior management commitment to training. The duration of training also varied and was dependent on the kind of trade or skills one is being trained for. Gakure (1995) states that training helps organizations acquire necessary competencies required to accomplish organizational goals. Goodale (2009) stipulates that training methods are important when the target groups are owner managers with low levels of literacy.

**Influence of Access to Finance on Business Performance**

According to study findings; majority of the respondents agreed that customer satisfaction is very high; they agreed through training opportunities they have led to increased knowledge and skills resulting in higher profitability in the business. They agreed that profit margins in my business had increased; they agreed to counter competition in the market, they had come up with new products and processes to attract wider customer base. The respondents strongly agreed that Customer satisfaction has been attained in their organization due to training on customer relation skills and marketing capabilities; they also agreed that Return on investment in their business was generally high. Further they agreed that to attain competitive advantage, entrepreneurs should come up with new products, strategy, marketing tools to attract a wider customer pool.

**SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

**Summary**

Entrepreneurs in the small and medium sector should be trained on issues of business management, customer relations management and information technology in order to acquire
knowledge, attitudes, abilities and skills for efficient business performance. Training is a process for the benefit of skill and effectiveness, in terms of their skills, knowledge and attitude as building blocks towards the achievement of wider organizational goals, to improve organizational efficiency. Training methods such as on job training techniques and mentorship programs should be provided to the entrepreneurs and their employees as part of their training programme, in order to be equipped with the relevant knowledge, skills and attitudes for efficient employee performance and training will also act as a retention strategy. Training provides employees with specific skills or helps to correct deficiencies in their performances. The entrepreneur’s in this sector have to be thoroughly trained to attain these merits which include, low employee turnover, boost morale, efficiency in processes resulting in financial gain, job satisfaction, enhance a firm’s image, it leads to improved productivity.

Financial institutions should provide loans to entrepreneurs in the SME sector, in order for this finance to aim in business growth and expansion. Business men and women in this sector should invest the finances wisely, buy equipment and plant, and be trained on financial management skills to enhance business performance. Also entrepreneurs should strive to save their own money before they venture into any business and this will promote a savings and entrepreneurial culture.

Conclusions

Majority of the respondents agreed that training content provided by the Ministry of Industrialization is easy to understand, and they agreed that training provided broadens their knowledge about the business which makes them appreciated. The agreed that Mentorship programs have provided them with knowledge and skills to run a profitable business and they strongly agreed that many entrepreneurs fail in their businesses due to lack of training and development opportunities. They also agreed that there is a training policy in place and they were aware of it and the strongly agreed that the training technique is easy to understand and it equips them with skills and knowledge for business success. They agreed that through training programs, they are efficient in the performance of their business duties and responsibilities.

Majority of the respondents strongly agreed that the business has a strong financial base and they agreed that most banks are reluctant to provide credit to SMES. They strongly agreed that SMES have well maintained financial records and they strongly agreed that higher interest rates and other loan processing costs makes SMES unable to obtain funds from banks. The respondents agreed that Micro-credit facilities are accessible; they agreed that Small businesses are usually charged higher interest rate by banks than large firms. Further they agreed that the age of the firm affects its ability to access funds.

Recommendations

The Entrepreneurs in the SME sector should ensure there is a training policy in the organization, and the policy should clearly indicate content of training, time of training, trainer of trainers, training technique, in order to give the employees information of the type of training that will be given to them for the employees to gain knowledge, skills and attitude for efficient business performance. The management of the Small and Medium enterprise’s should ensure that their employees are thoroughly trained on issues that can increase the organization’s productivity, such as customer relations, marketing, information technology etc., in order for the employees to acquire knowledge, skills and attitudes. Through training programs for the employees, it will boost the firm’s productivity, boost the firm’s image, boost
employee morale, increase in task expertise and moreover lead to career progression ladders which will act as a retention strategy. The management of the SME’s businesses, should ensure that they hold up mentorship programs, where they invite successful businessmen, other employees, government agencies, where there employees are advised, encouraged on ways to become a top performer in the organization, and through this mentorship program, employees learn on the business processes, ways to increase both individual and organizational goals, how to handle failure and criticism with honor and this program will motivate, attract and retain employees thus boosting both employee and business performance.

The study recommends that financial institutions should be in a position to give loans and other credit facilities and financial advisory services to SME’s in order to equip them with knowledge on financial management to help them expand their businesses. The financial institutions should assess the entrepreneur’s credit worthiness before issuing loans and they should not assess factors as gender and an individual’s age.

Suggestions for Further Research

This study was limited to entrepreneurial factors influencing business performance among SME’s in Murang’a County, and it brought out this four factors, entrepreneurial training and access to finance. Future researchers should focus on other variables that may SMES business performance and growth such as availability of markets, laws and regulations, infrastructural networks, Government policies and macro-economic variables (political factors, economic, competitive, global) that can influence or affect SME’S growth and performance. This study was limited to the Small and Medium enterprises sector in Murang’a County, Kenya. A similar study could be carried out in other sectors such as women owned SMES and also other SMES in other counties to find out whether the same results shall be obtained.
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