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RESEARCH ARTICLE

The Role of Motivation on the Performance of Micro and Small Scale Enterprises in Kisumu City, Kenya.

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Abstract

Micro and small enterprises (MSEs) have been accepted worldwide as instrument of economic growth and development. The Government, particularly in the developing countries has made tremendous efforts to establish policies which enhance the capacity of MSEs. Kenya is among the African countries facing unemployment problem especially among the youth due to the rapid growth in working-age population and low absorptive capacity of the labour market. To provide a means of survival, many of the unemployed have turned to the informal sector to create small scale enterprises. Motivation has been cited as being core to operation of successful enterprises. Motivation is very varied. The need for independence may be as important as any need for money. Family background and support can be crucial. Sometimes there are "push" factors (such as redundancy of frustration in the existing career), and sometimes "pull" factors (a need for independence, or the invention of a new idea). Starting a business is a difficult process and the necessary drive and commitment are a prerequisite. Abilities, skills and experience also vary considerably and they need to be related to the idea.

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INTRODUCTION

Micro, Small and medium enterprises have no universally acceptable definition. There is no single uniformly acceptable definition of a small firm (Storey, 1994). The number of employees engaged by the enterprises is the more commonly used unit of measurement of the size of a business than the turnover, the degree of formality, or legitimacy of the enterprise; capital investment; and degree of skills per worker. The Kenya 1999 National Micro and Small Enterprise Baseline survey however defined MSEs as enterprise in both formal and informal sectors employing 1-50 workers. It is MSEs that play intermediate role in the development of large scale enterprises. They reduce regional disparities through the creation of employment opportunities in the rural areas and mobilize local resources more readily than large-scale industries (Ukpabio, 2004) and the (World Bank, 2001). The 2005 World Development Report suggests that creating "sustainable jobs and opportunities for micro entrepreneurs [are] the key pathways out of poverty for poor people" (World Bank, 2004).

The significance of Kenya's micro and small enterprises (MSE) activity has continued to grow since the sector was first brought to the limelight in the ILO report of 1972. It is widely recognized that the promotion of the MSE sector is a viable and dynamic strategy for achieving national goals, including employment creation, poverty alleviation and the balanced development between sectors and sub-sectors. The findings of the 1993 MSE Baseline Survey underscored the important role that MSEs play in Kenya's development process, particularly in the context of generating employment and income opportunities for majority of poor people throughout the country. Indeed, the MSE sector provides employment for substantially more people than does the formal sector. Together, all these form the foundation of a strong national industrial base and domestic production structure that are central to the

government's vision of achieving a newly industrialized country status by the year 2020 (Sessional paper No. 2 of 1996).

One of the most important challenges facing Kenya today is creation of sufficient employment opportunities. The MSE sector is expected to generate significant employment opportunities given the decline in the agricultural sector's capacity to absorb new labor force and the shrinking public sector. According to Economic Survey of 2008, employment in the public sector declined by 3.4% in 2007, MSEs therefore tended to absorb large numbers of unemployed people but they have not been able to generate reasonable remunerated long-term jobs. However, given an enabling policy environment and well-targeted technical support, the MSE sector can play a critical role in providing opportunities likely to stimulate sustainable economic growth.

The first pre-requisite of successful enterprise start-up is motivation. Motivation therefore plays a significant role throughout the world in the establishment of MSEs. Well-motivated people are therefore those with clearly defined goals who take action which they expect will achieve those goals (Autio, 2010). Some of the motivating factors include the desire for independence and combining work with care for the family, possibility of growth in markets and increased profit opportunities for international expansion, capitalizing on emerging opportunities and the need for achievement. A survey carried out in France, Portugal, Australia, and the USA on the role of motivation in the establishment and internationalization of SMEs found out that it has led to expansion of various MSEs (Daniela, (2008).

Motivation is very varied. The need for independence may be as important as any need for money. Family background and support can be crucial. Sometimes there are "push" factors (such as redundancy or frustration in the existing career), and sometimes "pull" factors (a need for independence, or the invention of a new idea). Starting a business is a difficult process and the necessary drive and commitment are a prerequisite. Abilities, skills and experience also vary considerably and they need to be related to the idea.

Despite the recognized contribution of the MSEs to economic development and growth, there is little research analyzing the factors that contribute to success for entrepreneurs (Konayuma, 2006) The World Bank reported that around 90 per cent of small enterprises surveyed indicated that access to credit was a major constraint to new investment (World Bank, 1994). Developing countries place the lack of capital, especially in the start-up period, as the problem most often mentioned by women micro-entrepreneurs (Darroch, 2005). Limited access to working capital prevents bulk buying of inputs and limits the entrepreneurs' ability to achieve economies of scale (Gray, 1997). Lack of investment capital limits input acquisition, which in turn restricts enterprise expansion, limiting their transition into viable small and medium-sized businesses (Fafchamps, 2003). Pratt (2001) found that the availability of capital, possession of business skills, previous experience, and support of family members are essential for business success in Kenya.

Kariuki's (1995) study carried out a survey of bank credit access in Kenya. He surveyed 89 small and medium-scale firms in manufacturing and service industries, combined with secondary information from commercial banks. He found that from 1985 to 1990 the average real volume of credit for the sample firms fell, except for the year 1986 which showed a marginal increase of 1.5 per cent. Several deterrents to utilizing formal credit were identified. Small scale borrowers were found to be faced with higher nominal interest rates at higher inflation rates in the latter half of the 1980s. Moreover, the explicit transactions costs of borrowing were found to be high in relation to interest costs. The MSE Act, passed into law in December 2012, is meant to regulate the MSE industry through an authority that will guide in formalization of the sector and also facilitate enterprises to operate from secure premises. The Act also stipulates that a revolving fund be set up to offer the MSE cheaper loans (www. Nation Media, May 13, 2013).

The objectives of this study are to (a) Determine the influence of monetary rewards on the performance of MSEs. (b) Find out the influence of Government policies and Legislative processes on the performance of MSEs. We used Primary Data from 192 entrepreneurs to evaluate the role motivation plays on the performance of Micro and Small scale enterprises. The results of the study will contribute to literature on Micro entrepreneurship and informal sector activities. It will enlighten stakeholders in entrepreneurship on factors affecting the performance of MSEs, bring light to some of the root causes of poor performance in MSEs, help education and training institutions use the ideas emerging from the study as bases for planning new programmes and causes and availing appropriate support systems to micro and small scale size firms and help the Government to establish institutional framework for business rules and ensure that promising enterprises receive appropriate incentives to facilitate efficient performance. This will help create a conducive environment for the development of MSEs. Voluntary agencies will also benefit from the findings.

The remainder of this article is organized as follows: We first presented an overview of the Importance of MSEs sector, followed by the Literature Review and Conceptual Framework. The subsequent sections highlight the Data, Results, Summary and Conclusions.

IMPORTANCE OF MICRO AND SMALL SCALE ENTERPRISE SECTOR

Small firms are backbone of national development (McIntyre and Dallago 2003). For a country to reach its full potential in terms of economic and social development, it cannot afford to ignore the importance of its indigenous micro and small scale enterprises (MSEs) and the contributions that they make to the country's economy. They reduce regional disparities through the creation of employment opportunities in the rural areas and mobilize local resources more readily than large-scale industries (Ukpabio, 2004) and the (World Bank, 2001). The MSE sector provides certain benefits to the economy, key among them is the recognized potential of the MSE sector to generate incomes and provide jobs to a large number of Kenyans. The 1992 Sessional Paper on MSEs highlights other benefits that make promotion of MSEs crucial to the development of a labour-surplus (primarily agricultural) economy such as Kenya's (Republic of Kenya, 1992). Well-motivated people are therefore those with clearly defined goals who take action which they expect will achieve those goals (Autio, 2010). They make effective contributions at work because of strongly developed feelings of behavioral commitment.

LITERATURE REVIEW

Shane (2003) cites several studies that explore the individual centric approach that explains entrepreneurship as the function of core human attributes (risks preferences and goal-identification of the entrepreneur). Shane also cites environmental centric approaches that examine the environment in which the entrepreneurs are found (market structure, industry dynamics and technological change).

In the study we used the Resource Based View (RBV) and the MAIR Start-Up Model and Sustainable Livelihood (SL) (Richardson and Howarth, 2002) to examine business success factors of micro and small scale entrepreneurs.

Researchers have taken various approaches to explain what motivates individuals to start and improve the performance of their own businesses. Some researchers believe innate personality traits are the primary motivators, while others believe external/situational factors (push-pull) are more important. Personality traits, such as the need to achieve, a tolerance for ambiguity, a desire to innovate, a propensity for risk-taking and a preference for locus of control, have all been shown to influence entrepreneurial activity (Collins, 2004; Johnson, 1990; Stewart., 1996). The "push-pull" factors often determine whether an individual will take the initiative to launch a new business venture. According to researchers, individuals can be "pushed" into starting a business by external negative conditions such as unemployment and retrenchment, a low paying job with little upward mobility and/or a desire to escape supervision (Curran and Blackburn, 2001; Moore and Buttner, 1997). At the same time "pull" factors, such as the desire to be one's own boss, increase wealth, change lifestyle or use one's experience and knowledge, can attract an individual to entrepreneurship (Birley and Westhead, 1994; Burkeet, 2002).

Objective 1: Influence of Monetary Rewards on the Performance of MSEs.

In The Theory of Moral Sentiments, Smith argues that much economic activity is the product of a forecasting error-people's illusion that acquiring wealth, possessions and status will make them permanently happy. In the Wealth of Nations, published in 1776, Adam Smith famously argued that economic behavior was motivated by self-interest.

In the present analysis we discriminate between intrinsic and extrinsic start-up motives. Entrepreneurs who are driven by such motives will probably be less inclined to set unrealistically high pecuniary goals (Gilad and Levine, 1986). Extrinsic motives include two categories: pull and push factors. An opportunity of perceived profit is an important pull factor of entrepreneurship, while (the threat of) unemployment is a well-known push factor. People who do not have an intrinsic motivation to start a business may be pushed into self-employment because of, for example, unemployment, and the fear to become unemployed or dissatisfaction with the current (wage) job. These 'necessity' entrepreneurs may be subject to over optimism because they generally have less entrepreneurial talent and are mainly motivated by escaping an undesirable situation. Indeed, necessity entrepreneurship tends to have a lower contribution to job creation. Entrepreneurs who are pushed into self-employment are less Knowledgeable and therefore more overoptimistic than entrepreneurs who are not forced to become self-employed (Reynolds, 1991).

The key of any start-up is to relate the business idea to the need in the market. Often people go into business because they can make/supply something. Only if there is a clear customer need, backed by effective demand, at an appropriate scale, can there be a viable business. Secondly, it is crucial to understand the nature of the need being met. Resources include physical items, such as premises, plant, labour and material supply, as well as finance which are often perceived as the main need. Developing countries place the lack of capital, especially in the start-up period, as the problem most often mentioned by women micro-entrepreneurs (Darroch, 2005). Limited access to working capital prevents bulk buying of inputs and limits the entrepreneurs' ability to achieve economies of scale (Gray, 1997). Lack of investment capital limits input acquisition, which in turn restricts enterprise expansion, limiting their transition into viable small and medium-sized businesses (Fafchamps, 2003).

Objective 2: The influence of Government Policies and Legislative Processes on the Performance of MSEs

Having the success ingredients is not in itself sufficient. The business must have a coherent plan which links all the elements together and which charts its future progress, so that it can be monitored. This monitoring is part of the necessary business assistance which has to be set up to operate the business on a day to day basis. This includes the legal form of the organization and its compliance with statutory requirements including tax.

Removal of trade barriers, reduction in import tariffs and the removal of quotas and other import restrictions such as licensing are expected to improve the competitiveness of local enterprises. It is anticipated that import liberalization will increase access to imported raw materials and intermediate goods embodying new technology that will benefit smaller enterprises. A more open policy towards direct foreign investment will encourage greater use of sub-contracting arrangements involving smaller firms and provide learning opportunities for locally employed workers to become local entrepreneurs (World Investment Report, 1994).

The Government of Kenya as the sole regulator and licensor plays a crucial role in MSE development through different ministries, departments and state corporations. Key organs of government such as cabinet office, Parliament and Local Authorities concerned with policymaking have to grasp the role of government in MSE advancement, and be aware of the impact new policies and laws impose on the operations of small enterprises. In doing this, the government establishes the institutional framework for business rules of the game and ensures that promising enterprises receive appropriate incentives to facilitate efficient performance. Such interventions have potential for mainstreaming the informal economy alongside larger formal enterprises.

In Republic of Kenya (1996) it was argued that small-scale entrepreneurs have limited access to credit and where the credit is available, high collateral requirements, well-documented cash flow analysis and general distrust of small-scale entrepreneurs by banks tend to inhibit access. At the same time, credit available does not meet the demand in the market. Despite this, the government has encouraged grassroots' funding systems and expansions of more formal sources of credit through group based micro financing and the adoption of less stringent group based collateral. One such funding system is the introduction of Women Enterprise Fund (WEF). The Fund was established in order to create affordable access to finance for Kenyan women facing difficulties accessing existing microfinance institutions (MFIs) and banks (Republic of Kenya 2006)

In Kenya the under developed capital market has forced entrepreneurs to rely on self-financing or borrowing from friends or relatives, Numerous money lenders in the name of Pyramid schemes came up, promising hope among the 'little investors,' which they can make it to the financial freedom through soft borrowing. The rationale behind turning to these schemes among a good number of entrepreneurs is mainly to seek alternatives and soft credit with low interest rates while making profits. Financial constraint remains a major challenge facing MSEs in Kenya (Wanjohi and Mugure, 2008).

In the journey towards revitalizing a well oiled MSE sector, the Kenya Local Government Reform Programme (KLGRP) has been particularly relevant. This was spurred in 1999 with a deliberate policy priority focusing on reducing poverty and unemployment going hand in hand with accelerating economic growth. The KLGRP reforms had three components: improving local service delivery; enhancing economic governance; and alleviating poverty. These objectives were to be achieved through increasing efficiency, accountability, transparency and citizen ownership and on the practical side, removal of unnecessary regulatory barriers and the reduction in costs of doing business. In particular, the government initiated two nation-wide reform efforts, namely: the Single Business Permit (SBP) and The Local Authority Transfer Fund (LATF). The SBP was a response to business licensing problems faced by MSEs in the start up phase as they had to get multiple licenses before opening shop draining the initial business inertia.

Kariuki's (1995) study carried out a survey of bank credit access in Kenya. He surveyed 89 small and medium-scale firms in manufacturing and service industries, combined with secondary information from commercial banks. He found that from 1985 to 1990 the average real volume of credit for the sample firms fell, except for the year 1986 which showed a marginal increase of 1.5 per cent. Several deterrents to utilizing formal credit were identified. Small scale borrowers were found to be faced with higher nominal interest rates at higher inflation rates in the latter half of the 1980s. Moreover, the explicit transactions costs of borrowing were found to be high in relation to interest costs. The MSE Act, passed into law in December 2012, is meant to regulate the MSE industry through an authority that will guide in formalization of the sector and also facilitate enterprises to operate from secure premises. The Act also stipulates that a revolving fund be set up to offer the MSE cheaper loans (www. Nation Media, May 13, 2013). Enterprise development does not take place in isolation. It takes place within and alongside a whole series of public, private and voluntary policies, structures, organizations, institutions and initiatives, which both help and hinder the establishment and growth of enterprises (Mayoux, 2000 and Goheer, 2003).

CONCEPTUAL FRAMEWORK

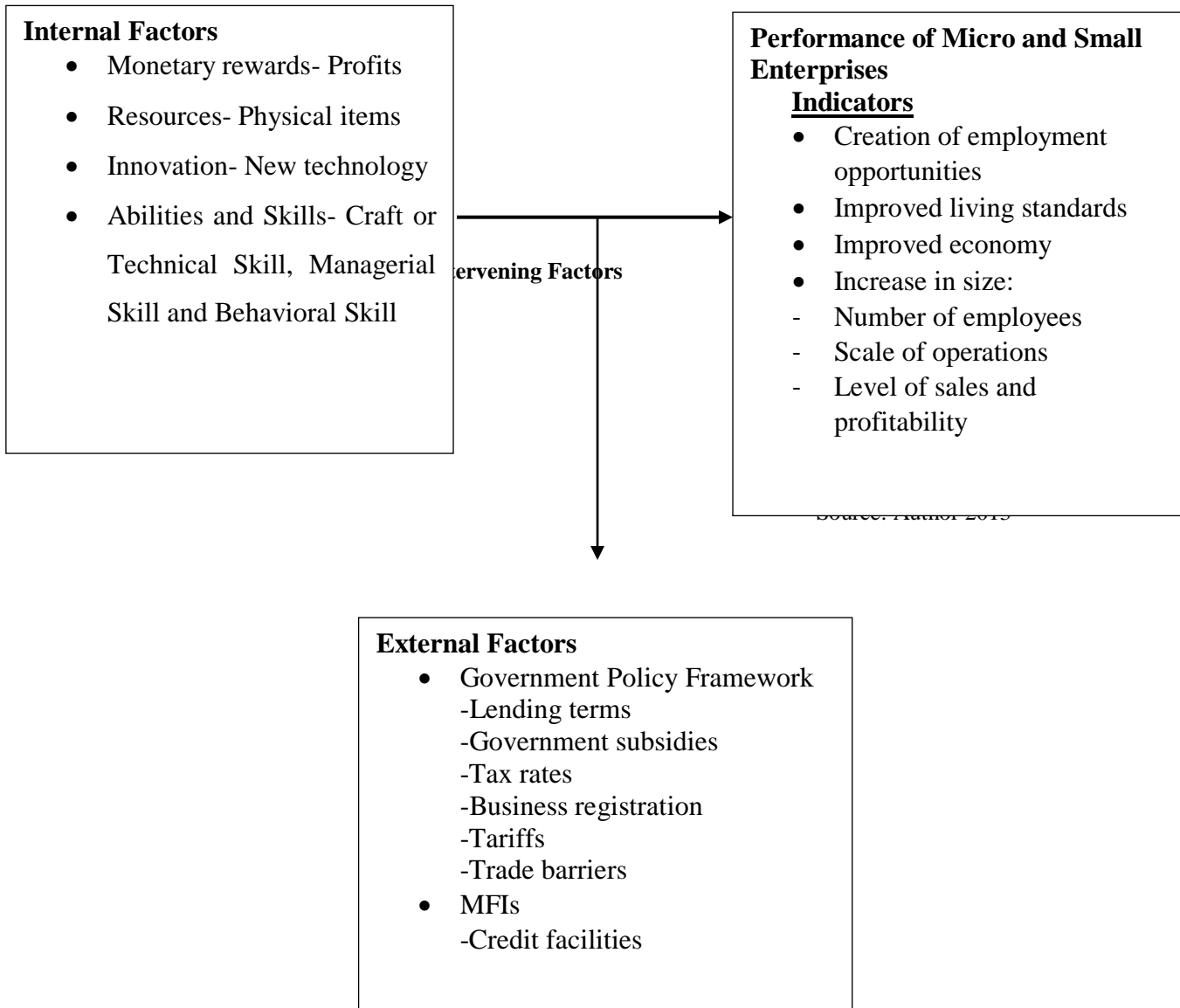
Starting a business is a difficult process and the necessary drive and commitment are a prerequisite. Different monetary rewards contribute to the entrepreneur’s attraction to a particular business enterprise which goes a long way to determine the motivation level within the entrepreneur. In turn, this gives a reflection on the enterprise performance.

An entrepreneur’s enabling environment is partly dependent on a favorable overall policy framework, which allows the development, and promotion of enterprise and entrepreneurship respectively. The success of a policy framework in turn is dependent on the use of a stable, well-designed policy instruments and mechanisms, and policy areas that combine to create an overall policy environment for MSEs. This conceptual framework is summarized in the figure below:

CONCEPTUAL FRAMEWORK

Independent Variables

Dependent Variables



Key: Figure 2: Conceptual Framework

DATA

Descriptive survey method of data collection was used. The design involved the administration of questionnaires and interviews to collect data from the sample. This is obtained by asking a number of questions related to the issue in order to find the answers (Fraenkel and Wallen, 2003). The research was carried out in Kisumu city, Kenya. The city is located on latitude 0.1825 and longitude 34.2956. Kisumu is a port city in western Kenya at 1,131 m (3,711 ft), with a population of 394,684 (2009 census). It is the third largest city in Kenya, the immediate former capital of Nyanza Province and the headquarters of Kisumu County. It is the largest city in Nyanza region and second most important city after Kampala in the greater Lake Victoria basin. Purposive sampling was used to select Kisumu as the study location. Probability sampling also known as Random sampling was used with an aim of selecting a reasonable number of cases to represent the target population. The sample consisted of 192 respondents. The respondents were stratified into 5 sectors according to homogeneous characteristics. The sectors comprised Jua kali, apparel industry (second hand clothes), service provision, food and beverages and retail traders.

Data collection was done using different tools for different objectives. Both quantitative and qualitative data were incorporated in the study. Qualitative data was used to get information that do not produce discrete numerical data such as attitudes and other emotions hence it was used for verification in case a common result was found in the study. Qualitative data was used to get information that produce discrete numerical or quantifiable data (Mugenda and Mugenda, 2003). The researcher used questionnaires as an instrument for the study. Questionnaires were distributed to entrepreneurs according to the different enterprise classifications. Formal interviews were carried out by the researcher in each category of the selected entrepreneurs.

Quantitative data was analyzed using descriptive statistics inform of frequency counts, means and percentages. Linkert scale was used to establish the mean ratings of factors that influence performance of MSEs in Kisumu city, Kenya. Qualitative data was analyzed for content in an ongoing process of emergent themes. The analyzed data was then presented using tables, bar graphs and pie charts.

RESULTS

Influence of Characteristics of Entrepreneurs and Enterprises on the Performance of MSEs

1. Influence of Characteristics of the Entrepreneurs on the Performance of MSEs

Table 1: Data of Entrepreneurs Characteristics (n=192)

Entrepreneur's characteristics (f)	frequency	percentage
Gender		
Male	91	47.3
Female	101	52.6
Age		
0- 30 years	59	30.7
31-40 years	87	45.3
41-50 years	30	15.6
Above 50 years	16	8.3
Academic/ professional qualifications		
Graduate	17	8.9
College	75	39.0
Secondary	71	37.0
Primary	23	12.0
Illiterate	6	3.1
Household size		
0- 5	54	28.1
6-10	125	65.1
11-15	11	5.7
More than 15	6	2.1

Gender

The table shows that majority 101(52.6%) respondents were female entrepreneurs while 91(47.3%). This result is presented in the figure below:

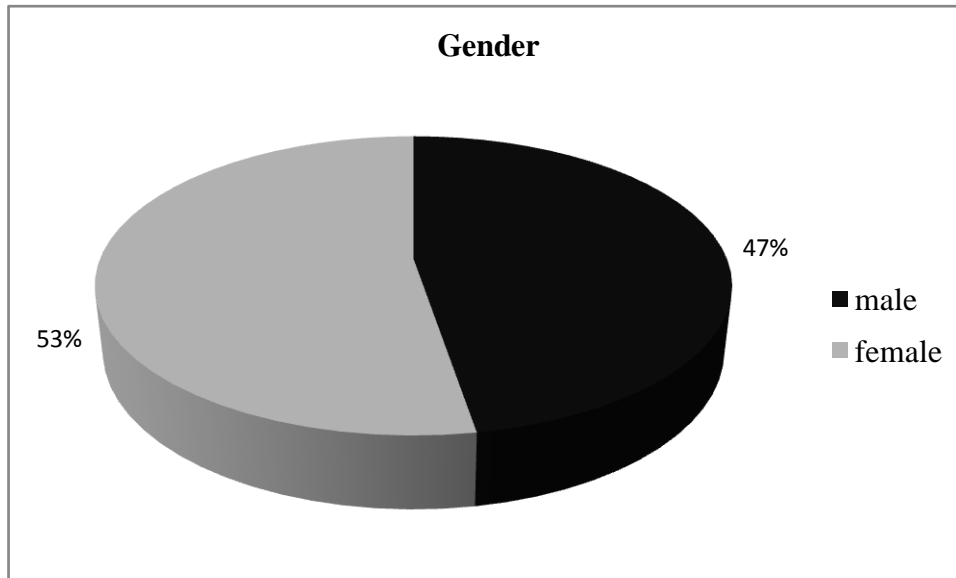


Figure 1: Gender of Respondents

The high percentage of women entrepreneurs was attributed to the high number of female household heads arising from the HIV/AIDS related deaths and the fact that males were working out in the urban areas. However there is no significant difference between the genders with respect to the most important motivation items/ factors that influence the performance of business enterprises.

Age

Most entrepreneurs 87(45.3%) were aged between 31-40 years. This is followed by the age bracket of less than 30 years 59(30.7%), 41-50 years 30(15.6%) and above 50 years 16(8.3%). This is illustrated in the figure below:

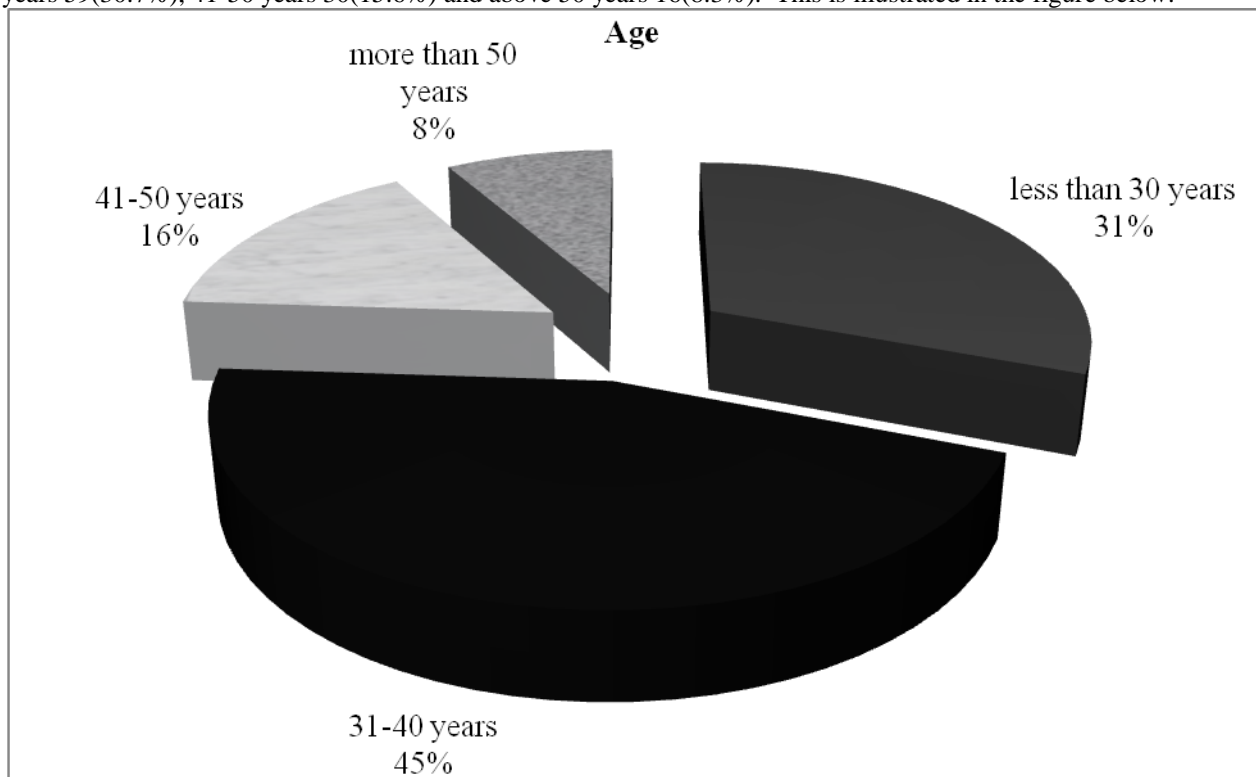


Figure 2: Age of Respondents

This suggests that the entrepreneurs in Kisumu are generally youthful. This compares with 1999 National Baseline survey which estimated the national mean age of MSE entrepreneurs to be 35 years with 83% of them being in the age bracket of 16-45 years. This finding also compares favourably with those of Mairura (2011) who found that

most of the MSEs are operated by entrepreneurs in their 30s and 40s. It is worth noting that the predominance of the youthful entrepreneurs in the MSE may be explained not only in the context of lack of employment for the youth, but also the introduction of the Youth Enterprise Development Fund by the Government of Kenya (ROK, 2007). The introduction of such a fund and the softening of conditions for accessing capital may have encouraged more youths to venture into the MSE sector.

Academic Qualification

An entrepreneur's education is an important factor affecting the performance of an enterprise (McClelland, 1961). In this study, education attainment is measured by the number of years of formal schooling. These results are shown in the figure below:

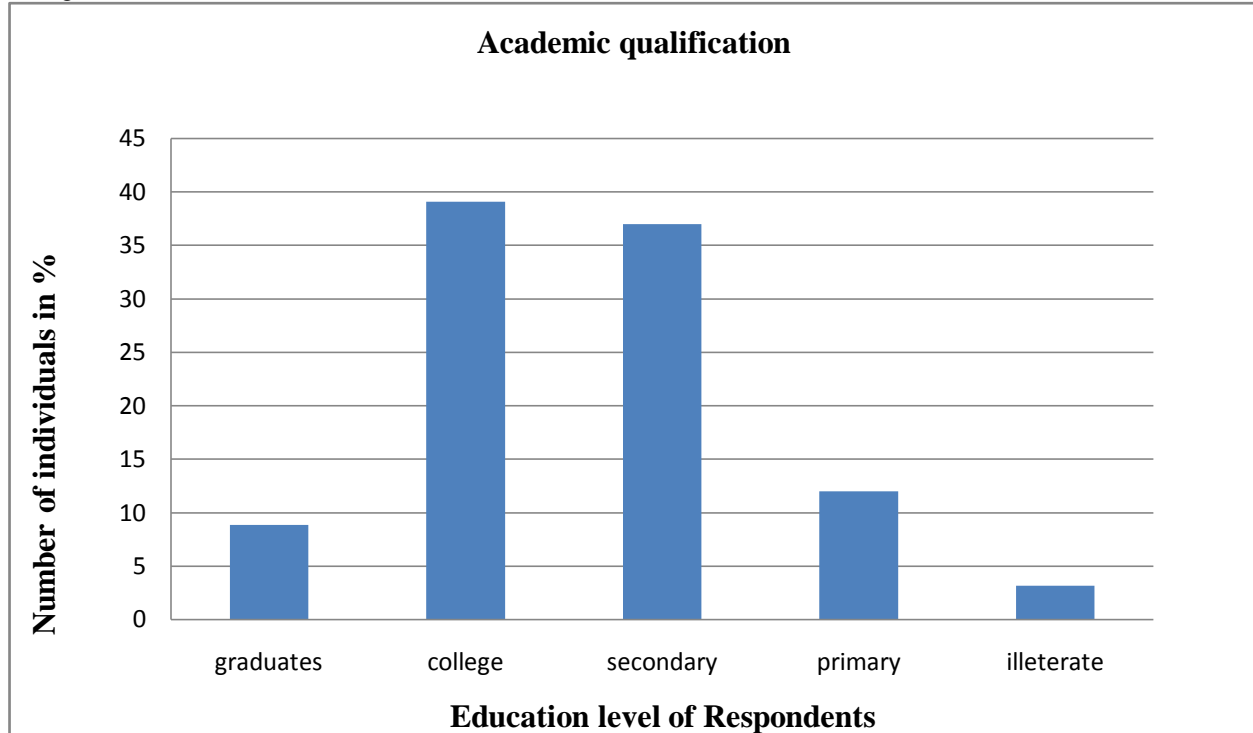


Figure 3: Academic Qualifications of Respondents

Studies results reveal that 17(8.9%) had attained university degree and 71 (39.1%) had post-secondary education. Those with secondary education were 71(37.0%), 23(12.0%) were primary school leavers while 6(3.1%) were illiterate.

The National Baseline survey (1999) indicated that 10.6% of entrepreneurs surveyed had no formal education, 54% had primary level of education, 33.1% had attained form four level of education and that only 1.8% of the entrepreneurs had post secondary education. Compared to the results of 1999 National Baseline Survey, this study shows that more people with high levels of education have ventured into MSEs, a phenomenon that could be attributed to the unemployment situation in Kenya today. One would expect improved performance and hence more meaningful contribution by the MSEs resulting from more educated people joining the sector. This concurs with Wasula, (2000) who argued that younger and educated people are more inclined to adopt new technology. The data further underscores the point that education attainment by the respondents may be an indication that persons with relatively high levels of education are gradually appreciating the essence of an entrepreneurial culture

Household size

The number of dependents shown in table 1 captures the social nature of a Kenyan household which not only refers to the nuclear family consisting of husband, wife and children, but also their relatives and workers who directly or indirectly depend on them for a living. Majority practicing entrepreneurship had 6-10(65.1%) household sizes. This is followed by entrepreneurs who have less than 5 dependants 54(28.1%), the group with 11-15 dependants 11(5.7%) and those with more than 15 dependants 2(2.1%). The number of dependants across the study is not evenly distributed. It is worth stressing that the size of household is an important in the operation of enterprises. This is

because of the subsistence nature of management in which incomes are drawn from business to meet the family needs.

2. Influence of Characteristics of the Enterprises on the Performance of MSEs

Table 2: Data of Enterprise Characteristics

(n=192)

Enterprise characteristics	frequency (f)	percentage (%)
Enterprise Classification		
Micro	163	84.9
Small	29	15.1
Types of Business Enterprises		
Jua kali	42	21.9
Apparel industry	24	12.5
Service provision	18	9.4
Food and beverages	56	29.1
Retail stores	52	27.1
Enterprise Age		
0- 5 y ears	60	31.3
6-10 years	113	58.9
11-15 years	18	9.4
More than 15 years	1	0.5

The table shows the two types of enterprise classifications, types of business enterprises and the age of the enterprises.

Enterprise Classification

Study results in table 2 reveal that 163(84.9%) of the enterprises are micro while 29(15.1%) are small. Small firms are backbone of national development. It helps a country to reach its full potential in terms of economic and social development. The 1999 National Micro and Small Enterprise Baseline Survey defined. Micro as informal and formal sectors employing 1-10 employees while small enterprises 11-50 employees. Hence MSEs are informal and formal sectors employing 1-50 workers. It is the MSEs that play intermediate role in the development of large scale enterprises. These results are shown in the figure below

:

Type of business enterprises

Purposive sampling was used by the researcher to select 5 types of businesses for the study. The results revealed that 56 (29.1%) of the entrepreneurs engaged in food and beverages business, 52(27.1%) retail stores, 42(21.9%) jua kali, 24(12.5%) apparel industry e.g. selling of second hand clothes and 18(9.4%) service provision e.g. M-pesa services, transport. The different types of business enterprises provide a means of survival to many especially those who are unemployed. This has provided partial solution to the unemployment problem especially among the youth due to the rapid growth in working-age population and low absorptive capacity of the labour market. This concurs with the ILO report of 1972 which presented the sector as an important provider of employment and income.

Enterprises age

Study results reveal that most enterprises 60(31.3%) have been operating in the market for less than 5 years and 113(58.9%) had operated between 6-10 years. Those that have operated in market for 11-15 years were 18(9.4%). On the other hand only 1(0.5%) had been operating in the market for more than 15 years. The longer the enterprise has been in operation, the more experience is gained which eventually contributes to the kind of output that is obtained in the production process. This is in agreement with the Republic of Kenya (2005) report which states that the qualification, training, population and experience of the entrepreneurs contribute to the kind of output that is obtained in the production process. The study therefore noted that these factors influenced the performance of the sampled MSEs.

3. Influence of Monetary Rewards on the Performance of MSEs

Table 3: Perception of micro and small scale entrepreneurs on the effect of monetary rewards on the performance of business enterprises

(n=192)

Monetary reward	Micro and small entrepreneurs					
	Least influence	Low influence	Neutral	High influence	Very high influence	Mean rating
It can be achieved through:	%	%	%	%	%	
Volume of sales	2.08	5.21	8.33	19.79	64.65	4.39
Regularity of sales	2.60	6.77	9.90	20.31	60.41	4.29
Profit making	0.52	6.77	9.38	14.58	68.75	4.44
Quality Products	3.13	9.38	11.98	13.54	61.97	4.22
Return on Investments	4.17	9.90	13.02	16.15	56.77	4.11

Key: classifications of monetary rewards influence

5 very high influence 4 high influence 3 Neutral 2 low influence 1 least influence

Volume of sales had mean ratings of 4.39 with more than two third (64.65%) consider it having very high influence; these findings imply that, when volume of sales is high, the entrepreneurs receive more income.. This income can be re-invested or used for the expansion of the business enterprise. This concurs with a study by Rosa (1996) who reported that older firms seem to be larger in terms of sale turnover, number of employees and capital assets.

Regularity of Sales was rated at 4.29, about two third (60.41%) of the respondents considered it having very high influence, the respondent noted that consistency in sales has a positive effective on performance of business enterprise. They further noted that when the sales were consistent, entrepreneurs are motivated to remain in business hence they perform well than when they are frustrated or ill motivated. A highly motivated entrepreneur will be able to go the extra miles to ensure the customers are satisfied and this will certainly ensure improved monetary rewards hence improved performance.

Profit making had a mean rate of 4.44, according to the respondents; profit-making has a very high influence on the performance of business enterprises with seven out of ten respondents considered it having very high influence. Mann and Thorpe (1998) reported that Asian entrepreneurs indicated “making more money” as the most important force leading them to become business owners. This further concurs with a study by Bewayo (1995) which states that Uganda’s entrepreneurs indicate that “making a living” or “making money is the most important motivator for their business ownership.

Quality of product was rated at 4.22. According to the respondents view, the quality of the product has positive influence on the performance of micro and small scale enterprise which will be reflected on the amount of sales. Product quality contributes either positively or negatively to the kind of output that is obtained during sales. The value attached to a product depends on the quality of the product. Therefore the quality of the product is positively related to the performance in the market.

Return on Investment was rated 4.11. The respondents noted that return on investment had a positive influence on the performance of the business enterprises. A good business should be able to plough back what was invested. They also noted that an enterprise return on the investment is determined by what has been invested. This concurs with Watson (2002) who states that a younger firm seems to have lower sales and therefore lower profits. It is therefore worth noting that different monetary rewards contribute to the entrepreneur’s attraction to a particular business enterprise which goes a long way to determine the motivation level within the entrepreneur. In turn, this gives a reflection on the enterprise performance.

4. Perception of micro and small scale entrepreneurs on the Performance of MSEs

Table 4: Perception of micro and small scale entrepreneurs on the effect of Government Policies on the performance of business enterpri

n= (192)

Government Policies	Micro and small entrepreneurs					
	Least influence	Low influence	Neutral	High influence	Very high influence	Mean rating
Lending terms	%	%	%	%	%	
	14.50	18.57	26.84	24.64	15.45	3.08

Government Subsidies	14.65	23.43	29.82	17.70	14.60	2.42
Business registration	4.16	11.98	20.83	35.41	27.08	3.43
Tax rates	9.13	12.77	18.41	27.08	32.60	2.86
Statutory Contractual Requirements	9.68	16.98	20.83	25.41	27.08	2.43

Key: classifications of innovation influence

5 Very high influence 4.0 high influence 3 Neutral 2 low influence 1 least influence

Lending terms *Lending terms* was rated at 3.08 with less than a third (26.84%) believes it has neutral influence on micro and small entrepreneurs. According to respondents factors such as processing small loans, the need for high collateral and bureaucratic procedures were seen to restrict lending to small scale enterprises. This concurs with the Republic of Kenya (1996) report which argued that small scale entrepreneurs have limited access to credit and where the credit is available, high collateral requirements, well documented cash flow analysis and general distrust of small scale entrepreneurs by banks tend to inhibit access. At the same time credit available does not meet the demand in the market. Despite this the government has encouraged grassroots funding systems and expansions of more formal sources of credit through group based micro financing and the adoption of less stringent group based collateral. Such interventions have potential of mainstreaming the informal economy alongside larger formal enterprises hence it plays a crucial role in MSE development.

Government Subsidies was at 2.42. According to the respondents most entrepreneurs rely on self-financing or borrowing from banks and friends or relatives. The government should therefore establish institutional framework for business rules and ensure that promising enterprises receive appropriate incentives to facilitate efficient performance. An environment that is supportive to MSEs is likely to contribute to the effectiveness and sustainability of support programs. A conducive environment is therefore crucial to the development of MSEs.

Business Registration was rated 3.43. According to respondents a legal and regulatory framework which results into excessively complex registration and licensing requirements and demands tedious and costly reporting practices is likely to impose constraints on the business activities in addition to placing heavy burden on entrepreneurs and their businesses. This can be a discouragement to aspiring entrepreneurs who seem to be hindered by the formal procedures and bureaucracy.

Tax rate was rated at 2.86. According to respondents taxes were the heaviest constraints to enterprise development. Taxation policies have a lot of impact on the small scale enterprises in terms of tax payment. Most of the enterprise earnings go into payment of taxes hence entrepreneurs are left with very little in terms of profits to be re-invested. However removal of trade barriers, reduction in import tariffs and the removal of quotes and other import restrictions such as licensing are expected to improve the competitiveness of local enterprises. This will increase access to imported raw materials and intermediate goods embodying new technology that will benefit smaller enterprises. This concurs with a study by Parker (1995) that covered five African countries and it was concluded that between 61% and 96% of MSEs in Ghana, Mala and Tanzania rated taxes as one of the problems hindering the business environment.

Statutory Contractual Requirement was rated at 2.43. According to respondents an entrepreneur enabling environment is partly dependent on a favorable overall policy framework, which allows the development, and promotion of enterprise and entrepreneurship respectively. The success of a policy framework in turn is dependent on the use of a stable, well-designed policy instruments and mechanisms, and policy areas that combine to create an overall policy environment for MSEs. This is in agreement with Toroka and Wenga (1997) and Bagachwa (1993) observe that laws and regulations have been highly restrictive for MSEs.

5. Analysis of variance

Inferential Analysis—Analysis of Variance using the Non-Parametric Kruskal-Wallis statistic as shown in table 5.1 and 5.2.

Table 5.1: Influence of monetary reward on MSEs performance

Monetary reward	n	Rate sum	Mean rating
It can be achieved through:	192		
Volume of sales	192	843	4.39
Regularity of sales	192	824	4.29
Profit making	192	852	4.44
Quality Products	192	810	4.22

Return on Investments	192	789	4.11
Kruskall-Wallis statistics	2.88		
P	0.2364	Chisqr approximation, corrected for ties	

$p=0.236$ ($>\alpha=0.05$) indicates no significant difference in factors of monetary reward influence to performance of MSEs, they both have similar influence.

Table 5.2: Influence of government policies on MSEs performance

Government policies	N	Rate sum	Mean rating
Lending terms	192	591	3.08
Government Subsidies	192	465	2.42
Business registration	192	657	3.43
Tax rates	192	549	2.86
Statutory Contractual Requirements	192	467	2.43
Kruskal-Wallis statistic	24.80		
P	<0.0001 Chisqr approximation, corrected for ties		

When $\alpha=0.05$, the small p value (<0.0001) indicates highly significant differences in government policies influence on performance of MSEs. The business registration had the highest rate while government subsidies had the lowest rate.

CONCLUSIONS, RECOMMENDATIONS AND SUGGESTIONS FOR FURTHER STUDY

CONCLUSION

The following conclusions were made from the findings of the study:

- The MSE entrepreneurs in Kisumu are generally youthful and have high levels of education. These factors have positively influenced the performance of MSEs.
- Monetary rewards that influence the performance of MSEs positively in Kisumu City, are attained through volume of sales, regularity of sales, profits, product quality and return on investment. These factors enhanced performance as they are motivators to entrepreneurs' participation in the business process, hence promoting the good performance.
- The study revealed that some Government policies like bureaucratic procedures in lending terms and business registration, high tax rates and lack of enough Government incentives have negatively influenced the performance of MSEs in Kisumu City.

RECOMMENDATIONS

In the light of the findings of this study, the following recommendations were made:

With regard to the Influence of Monetary Rewards on the Performance of MSEs

- In line with the Kenya vision 2030 as an engine for development, there is need to promote projects that have components aiming at empowering community/groups for women, men and youth through capacity building and provision of small grants for up scaling entrepreneurial activities as a form of employment that focus on poverty reduction and income generation.
- The study also recommends that, a given percentage of the Constituency Development Fund (CDF) and other developed funds be allocated to the women, men and youths groups to carry out entrepreneurial activities in the area. This is based on the findings that lack of credit is one of the causes of low performance in the MSEs.

With regard to the Influence of Government Policies and Legislative processes on the Performance of MSEs

- The Government should continue to work towards fair and comprehensive tax reform since it can take years for such changes to bear fruit. Institution of a federal and local tax system will enhance small business growth as well as improve revenue collection.
- Government also needs to provide strong inheritance laws that will allow entrepreneurs to pass their wealth to their spouse(s) and children without hindrance. An inheritance law that allows for multiple interpretations undermine economic growth of it discourages citizens from working to save and accumulate wealth. Stronger inheritance laws keep inheritance property more intact and available for the benefit of the immediate family

SUGGESTIONS FOR FURTHER RESEARCH

The study exposed issues that may require further research:

- i) There is a lot of funds released from the government for youths and women to support SMEs yet the number of SMEs started by youths and women in Kisumu County is not enough to create sufficient employment opportunities which the sector is expected to generate, therefore there is need to carry out research as to why only few SMEs despite the government support for the start up.
- ii) Additional Research can also examine alternate motivators of business success. Success is multifaceted variable and could be measured by income level, size of operation and length of time in business.

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