EFFECTS OF ENTREPRENEURAL TRAINING ON PERFORMANCE OF MICRO AND SMALL BUSINESSES: A CASE OF MURANG'A TOWN CENTRAL BUSINESS DISTRICT.

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF MANAGEMENT AND LEADERSHIP IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP OF THE MANAGEMENT UNIVERSITY OF AFRICA

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DECLARATION

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

Signature…………………………… Date ………………………

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This research proposal has been submitted for examination with my approval as University Supervisor

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DEDICATION

I humbly dedicate this proposal to my family for the material and moral support during my study.

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To you all, God bless you

ABSTRACT

The general objective of the study was to examine the influence of entrepreneurial training on performance of Micro and Small enterprises in the Central Business District of Murang'a Town. The study specifically evaluated the influence of book keeping skills, budgeting, credit management skills and saving skills training influence performance of micro and small enterprises in the Central Business District of Murang'a Town. This study made use of descriptive research design to answer questions concerning the effect of entrepreneurial training on the performance of micro and small enterprises. The target population for this study was 152 owners/managers of micro and small enterprises operating in CBD of Murang'a Town. Stratified random sampling was used to select a representative sample of 46 respondents representing 30% of the target population. Questionnaires were used to collect data which was then tabulated and analysed using percentages and descriptive statistics like mean. Qualitative data from the open-ended questions was analysed on the basis of various themes and presented in narrative form and prose. The study revealed from majority (75%) of the respondents that they never practiced any bookkeeping in their businesses before the training. It was however revealed (Mean=2.225) that skills in maintaining the debtors and creditors ledgers have helped them in the expansion endeavours. The study also established that majority (87.5%) of the respondents never did budgeting before the training. It was found out that (mean=1.575) that preparation of budgets enhances the financial performance of small and medium businesses. In relation to whether or not the respondents had a credit management program before the entrepreneurial training, majority (80%) of the respondents indicated that they never had a credit management program in place before the training. As concerns saving skills training, majority (62%) did not have savings plans before the financial literacy training, while the rest (38%) had savings plans before the training. It was found out that 50% of the respondents do not have up to date savings records while another half of the respondents (50%) do not have their savings records up to date. The study concludes that bookkeeping has a big role to play in enhancing the financial management skills of the small businesses owners making it easy for them to have adequate cash flows for performance of micro and small enterprises. It was also concluded that the managers of micro and small enterprises have an idea what bookkeeping is given that some of them were able to prepare creditors ledger and debtors Ledger.The study recommended that the management of micro and small enterprises should give equal emphasis to all books of account. The managers should also hire professionals at a fee to help them prepare thee books for enhanced financial management and performance of micro and small enterprises. Financial institutions can continually assist business managers in the preparation of the required books before advancing loans to them. It was also recommended that the managers/owners of micro and small enterprises need to involve employees in the budgeting process. This will help in ensuring the success of the entire process. The study further recommended for the management of micro and small enterprises to be attending similar trainings to sharpen their budgeting skills which in turn help them to repay their loans. The researcher recommended that a similar study be done on any other training programs like that of Equity Bank foundation to compare the findings.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACRONYMS AND ABBREVIATIONS

CBD	Central Business District
MSE	Micro and Small Enterprises
MUA	Management University of Africa
UK	United Kingdom
US	United States
TRA	Theory of reasoned action
TPB	Theory of planned behaviour
IFAD	International Fund for Agricultural Development
SLT	Social Learning Theory

OPERATIONAL DEFINITION OF TERMS

Entrepreneurial Training	The provision of knowledge and understanding of financial concepts and the skills for effective decisions by managers of MSE.
Bookkeeping skills	Skills that enable managers/owners of micro and small enterprises to undertake simple accounting tasks of keeping records of business transactions
Budgeting skills	Skills that enable the manage to keep track of the revenue activities and expenses of the business as they plan for the future
Credit management skills	These are skills that enable the manger/owner manage their credit in a way that the firm does not get into bad debts
Saving skills	The saving skills are crucial ensuring that the manager/owner is able to put some of the excess funds aside for purposes of investment or to meet future unforeseen expenses

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The background of the study, problem statement, research objectives and questions to be addressed by the study, benefits of the study and scope are explored in this section.

1.1 Background of the Study

It is acknowledged by both scholars, academicians and practitioners that the performance of an enterprise or organisation is dependent largely on the capability of its management and employees. This explains why most governments are directing more resources to the training of entrepreneurs got enhanced performance. It is believed that such training gives the managers/owners of such businesses the ability to be innovate, take risk and manage their finances. (Lerwick, 2011). Additionally, Governments and stakeholders have put more attention of entrepreneurial training for the reason that the highest of proportion of enterprises in their economies is represented by micro-and small enterprises at 99% (Capital Markets Authority, 2010) and that these businesses provide opportunities for the vulnerable groups in the society to enhance their standards of living (IFAD, 2008).

In a global scale, the performance of the Chinese has been linked to the acceptance of the entrepreneurial culture by the population especially fresh university graduates. The extent of the adoption of the entrepreneurial culture has however been negatively impacted by the level entrepreneurial education. The government has been keen on addressing the skill shortages in this sector. Nevertheless, the Chinese government recognises Small and Medium Enterprises as key in the economy (Li ,2013).

Policy makers in major economies in Europe that include Germany and United Kingdom believe that the growth of small and medium enterprises is determined by the amount of investment in the upgrade of skills and training. The Norwegian economy generates 49% of its taxes from the MSE sector making the highest contributor to government revenue. This is the reason why government has dedicated 60% of the budget for the revitalisation of the sme sector to training from the understanding that the managers of these enterprises lack requisite skills for the management of finances making it difficult for them to access loans (Windsch (2013)

concerning the United States. The Author postulates that the MSEs sector in the United States contributes to over 38% of the employment opportunities in the country. In spite of this, Winston (2017) indicates that over 60% of the MSEs in the United States have a problem in meeting their financial obligations as when they fall due making it difficult for them to service loans obtained from financial institutions.

The economy of the European Union is entirely dependent on the MSEs with Golsmith(2014) noting that over 90% of the export business revenue in the union is generated by Micro-and small business. Germany standards as one of the strongest economies in the region and as Roosevelt (2013) notes, the MSE sector is the key driver of the economy of Germany. The sector is credited for contributing to the stability of the economy and ensuring that there is consistency in employment opportunities. The Norwegian economy generates 49% of its taxes from the MSE sector making the highest contributor to government revenue. It is however noted by WIndsch (2013) that the managers of these enterprises lack requisite skills for the management of finances making it difficult for them to access loans. The author outlines financial management skills training as key in enhancing the ability of managers to run their business professionally enabling them to attract funding from financial institutions.

The rate of poverty in sub-Saharan Africa stands at 56%. In ana effort to counter this trend, most governments both at national and regional level have embarked on promoting the growth of MSEs through extensive entrepreneurial training. In Nigeria for instance, (Okuchi,2013) notes that the government has institutionalised entrepreneurial training in all its vocational centres both in the North and South of the County. This training is geared towards impacting potential graduates with adequate managerial and innovation skills.

Focusing on Ghana, the government, in effort to ensure proper utilization of these funds, Owoth (2015) indicates that the ministry of youth embarked on training the youth on financial management and credit risk management. Furthermore Onoh (2016) recommends for the upgrade of the basic accounting skills of managers of Ghanaian enterprises to enable them perform a number of daily business processes that include book keeping, budgeting, credit management and record. A further analysis by Siekei (2013) points to the need for governments and development partners to finance and support financial literacy training for SMEs in Ghana so as to enable the small business manage their future finances and ash flows. This is supported for the reason that managers who are financially literate are able argue their cases during loan application so as to secure funding and they also understand the need for a clean credit rating for future financing by Ghanaian financial institutions and banks.

The Kenyan government and other stakeholders have put adequate attention and effort towards the for the development of the MSE sector. This is on the realization that this sector contributes immensely to the growth of the Kenyan economy. Among the efforts that are visible is building of capacity and training from the owners /managers of small and medium enterprises. The government has also gone ahead to ensure that curricula in universities, college and even secondary schools have some element of entrepreneurship training. The purpose of these is to equip potential graduates with entrepreneurial skills necessary (Owino,2016)

1.1.1 Bookkeeping

Bookkeeping plays a crucial role in the management of businesses. It involves logical ad systematic recording of financial transactions of the business. Such transactions include purchases, sales, payments and receipts (Haber, 2004). The process of bookkeeping helps in allocating various incomes and expenses to respective accounts. These are the records that enable the manager of the business to track their activities to ensure the integrity of business transactions (McCarthy, 2000). Many of these bookkeeping processes can be undertaken using modern technology with the help of various computer softwares. These underlines the need for MSEs enterprises to adopt information technology in the execution of the business activities (Enon, 2000).

The process of bookkeeping facilitates the preparation of final accounts on which financial institutions and lenders base their evaluation for financing. The problem is that the smallness of the nature of financial transactions undertaken by micro and small enterprise makes the process of bookkeeping complex It is however emphasised that these records are crucial for the decisions of financial institutions as regards lending (Kipngetich, 2016) .Additionally, the management of the inventory process in the organisations can be well manage if the management has engaged in consistent and accurate bookkeeping. As noted by (Miller ,2009), inventory management is a challenge to small and medium enterprises whose accuracy can be enhanced through proper and consistent book keeping by the MSEs managers/owners

Keeping records on the transactions undertaken by a business entity acts as the bases for the preparation of financial reports which a key in accessing the performance of the entity. Large and complex organizations use high technology computerized accounting systems to facilitate the process of record keeping. In small entities the number of transactions is expected to be few and less complex compared to large organizations. Keeping proper records has been attributed to easy access to credit from financial institutions (Kipngetich, 2016) since they act as a basis of evaluating the credit worthiness of the entity.

1.1.2 Credit management

The credit risk of a MSE guides the financing decision of lenders. Business with proper credit management strategies exhibit low credit risk thus becoming more attractive to banks and lenders for financing. It is however a challenge for the managers of micro and small enterprises to manage credit risk. (Mungal & Garbharran, 2014). It can also be argued that poor credit management is an impediment to the growth pf micro and small enterprises because they cannot secure financing for expansion.

The unfortunate bit is that managers of small and medium enterprises are not able to measure and control their level of credit risk. Owino (2017) asserts that the level of credit risk management in micro and small enterprises is dependent on the level of financial literacy of managers of MSEs. The author recommends for the need for financiers taking the managers through financial aliteracy training before advancing loans to them. Kipngetich (2016) evaluated how interest rates impacted on the credit risk level of MSEs and he established a direct relationship between financial literacy training and credit risk management of managers of Micro and Small enterprises. A similar challenge of credit risk management has been document as the key factor determining the financial performance of small business in the developing economies (Simiyu,2008) .

1.1.3 Budgeting

Research literature provides evidence of the association between Budgeting literacy and performance of entities (Kipngetich, 2016). Unlike large companies which tent to have detailed budgeting process, small entities may not have structures which support budgeting process. They may not even have the knowledge required to prepare the budget (Kipngetich, 2016) nor the understanding of the importance of having a budget as a road map to their operations. Chidi and Shadare (2011) asserts that budgeting among the MSEs' face significant challenges due to accountability issues, lack of cooperation and participation, lack of understanding of the budgeting process, inability to meet set deadlines as well as setting of unrealistic estimates which makes the implementation of the budget in practical. These challenges are compounded by inadequate accounting systems which do not facilitate the provision of accurate and adequate data on timely bases for the monitoring of revenues and expenditures as well as budget planning (Mahmood, 2008).

1.1.4 Savings

Studies have shown that one of the key constraints of SME success is inability to access operating capital to fund their business ventures (Kinyua, 2014). Despite of the effort put in place by the financial institutions to finance SMEs a lot needs to be done to ensure that they have adequate resources to operate optimally. Due to their inherent nature of operating small, SMEs do not have the luxury of accessing financing like the big organizations since they are considered as risky borrowers. As a result of lack of proper funding their growth is constrained.

Koech, Oyungi and Memba (2015) established that the source of funding significantly affects the growth of SMEs. Koech, Oyungi and Memba (2015) established that the source of funding significantly affects the growth of SMEs. The performance of SMEs in Nigeria has not been to expectation of government and development partners despite policy change in support of the enterprises. The government has put a number of policies and programs in place including incentives to safeguard the interests and growth of Mses. Interesting research indicates that access to finance accounts for less than 20% of the failures of MSEs I pointing to the insignificant relationship between access to fiancé and performance od Mses. It is recommended for the Nigerian Government to put in place other mechanisms and support systems to facilitate the development of MSEs (Onugu ,2005) Some of these include the ability to manage the scarce funds to achieve optimal benefit for the business. Personal savings has been cited as a major source of SME capital for entrepreneurs (Kamunge,2014)

1.2 Statement of the problem

MSEs play a significant role in the economic growth and development of Kenya. To enhance their performance, there is need to ensure that they have access to adequate and affordable funds. It is however noted that access to financing has been curtailed by their lack of access to adequate information, and perceived high credit risk (African Development Bank, 2012).

It is however noted that for the few lenders that have tried to extent financing to Mses, the repayment behaviours has been wanting with most of them defaulting right from the first month of repayment. This has been associated with inadequate management skills on the part of managers of micro and small enterprises Mungai, (2012). In an effort to solve this problem a number of stakeholders including Government, financial institutions and development partners have come up with training programs to enhance performance of micro and small enterprises. The training programs address such issues as the budgeting skills, savings skills, credit management skills and bookkeeping skills all of which are pertinent in business survival. The extent to which these entrepreneurial training programs have influenced the performance of the businesses has not been extensively documented. This study will seek to bridge the gap by examining the extent to which entrepreneurial training on budgeting skills, savings skills, credit management skills and bookkeeping skills influences performance of micro and small enterprises operating in the CBD of Murang’a Town.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to examine the influence of entrepreneurial training on performance Micro and Small enterprises in the Central Business District of Murang'a Town.

1.3.2 Specific Objectives

i) To evaluate how book keeping skills influence performance of micro and small enterprises in the Central Business District of Murang'a Town
ii) To determine the extent to which budgeting skills influence performance of micro and small enterprises in the Central Business District of Murang'a Town
iii) To find out the extent to which credit management skills influence performance of micro and small enterprises in the Central Business District of Murang'a Town
iv) To evaluate the extent to which saving skills training influence performance of micro and small enterprises in the Central Business District of Murang'a Town.

1.4 Research Questions

i) How do book keeping skills influence performance of micro and small enterprises in the Central Business District of Murang'a Town?
ii) To what extent do the budgeting skills influence performance of micro and small enterprises in the Central Business District of Murang'a Town?
iii) To what extent do the credit management skills influence performance of micro and small enterprises in the Central Business District of Murang'a Town?
iv) To what extent do saving skills training influence performance of micro and small enterprises in the Central Business District of Murang'a Town?

1.5 Significance of the study

The study findings will be of benefit to the following;

Study findings herein are of great significance to micro and small business owners who will have a clear understanding of the effect of training on performance of micro and small enterprises.

The research findings will also be of value to policy makers in guiding their decion making as concerns small businesses in the country. This is informed by the significant role that small businesses play in the economy.

Researchers and scholars are now availed with additional literature on the concept of entrepreneurial training and its impact on performance Micro and small businesses.

1.6 Scope of the study

The study was conducted on Micro and small businesses in the CBD of Murang'a Town. The study considered a target population of 152 owners/managers of micro and small enterprises operating in the town. The study was done between July to October 2021.

1.7 Chapter Summary

Chapter one reviewed the introductory literature on entrepreneurial training and performance of micro and small enterprises. The background to the study reviewed the introduction to the concept and context of the study. The research problem reviewed the problem that the study intent to solve followed by the research objectives and questions that the research intent to answer. Then the significance of the study is reviewed to show the parties that will benefit from the study and finally the scope of the study. The next chapter will review past literature on this area of knowledge

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This Chapter outlines the various theories and opinions propagated by various writers, authors and literally scholars of Strategic Management and Corporate Finance. It also outlines the various studies done in the discipline of Finance and areas related to business financing by different scholars or researchers leading to the conceptual framework of the study. This chapter focused on financial literacy theory, book keeping in MSEs, credit management, financial analysis and loan repayment.

2.1 Theoretical Review

2.1.1 Social Learning Theory

This theory posits that as children and adolescents develop, they experience diverse influences - behavioural, cognitive and environmental - that play a role in shaping individual achievement (Bandura, 1977). The link between this theory and the current study is well explained when Martin and Oliva (2001) indicated that young adults learn personal financial skills from their parents through observation. Their research identified a number of experiences in which the Social Learning Theory (SLT) could be applied to financial education opportunities. These experiences include: exposure to money is through parents, observation of the importance of working to earn money to meet needs, learning money provides access to products and services that are wanted, learning to imitate behaviors and attitudes of parents, and learning saving and spending patterns. Through observation and interaction with family, peers, and community members, individuals learn financial knowledge and behavior.

Family and cultural values become the primary source for information and the main source of influence; peers and the community become secondary (Gutter, Copur, & Garrison, 2009). Accessibility and availability of resources within a community are influenced by socioeconomic level of individuals and families. Financial behaviors learned through observation and modelled by parents and elders are imitated by youth to making financial decisions in adulthood. For younger consumers, consequences of early financial mistakes, such as excessive credit card or student loan debt, will impact long-term financial security, supporting a critical need to develop financial literacy skills early in adulthood (Huston, 2010; Lusardi, Mitchell & Curto, 2010; Martin & Oliva, 2001).

Financial education programs have a positive impact on the development of financial literacy skills by increasing knowledge and creating positive behavior changes when measured immediately or within the short-term after the education has been received (Fox, Bartholomae, & Lee, 2005). When financial literacy skills are evaluated using a standalone survey not related to a specific financial education program, results show students are not able to earn a passing grade (Mandell, 2008).

The theory indicates that social interaction may affect financial decisions as people receive and process information through interacting with others. In a US 401(k) pension plan participation study, Greenspan (2002) found that peer effects influenced retirement savings decisions because many people had not carefully thought through the advantages and disadvantages of particular plans for themselves. Many employees used information from peers when deciding on participation as they may lack their own reasoned information for making sound retirement investment decisions. Moreover, beliefs about social norms will additionally influence employee decisions due to a desire to behave similarly to those in their social group (Gravetter&Forzano, 2003).

According to this theory, investors are likely to make investment decisions based on the information available in the market, if investors have information about an investment which is likely to generate higher returns in future, investors are more likely to invest in such an investment to accrue higher returns in future (Goel& Dolan, 2003).

The proponents of this theory, the behavioural theorists believed that learning led to a permanent change in behaviour, observational learning demonstrates that people can learn new information without demonstrating new behaviours especially when considering making financial decisions (Glaeser&Scheinkman, 2003). In this study the investors are the owners of the businesses who have accessed money from financial institutions. The theory establishes a nexus between training and development of financial skills pointing to the need for financial literacy training for enhanced performance of small and medium enterprise

2.1.2 The theory of planned behaviour

The theory of planned behavior is a model of attitude–behaviour relations that underpin intentions as a key in the prediction of behavior. In this study, TPB will be applied to financial behavioural prediction to understand and predict the determinants of financial-behavior. The TPB introduced the concept of perceived control on the opportunities, resources, and skills necessary to perform a behavior to the theory of reasoned action (TRA). The notion of perceived behavioural control is comparable to the notion of self-efficacy person's perception of individual to perform the behavior. The theory of planned behaviour (TPB) illustrates the relationship between financial literacy and financial management practices by augmenting Ajzen's (2013) theory of planned behavior to include the construct of financial literacy. TPB began with the theory of reasoned action (TRA) (Fishbein and Ajzen, 1975). According to the TRA guidelines, behaviour is predicted using attitudes toward a specific behaviour and subjective norms, which is the perceived social pressure to perform or not perform behaviour, to form a behavioural intention that determines the actual behaviour.

Ajzen (2013) modified the TRA to create the TPB. This was by including perceived behavioural control (PBC) to contribute to the formation of behavioural intentions and actual behaviour in order to address the issue of personal control that the original model was lacking. Perceived behavioural control refers to the perceived ease or difficulty of performing a behaviour and it is assumed to reflect past experiences as well as anticipated impediments and obstacles. Within the theoretical framework of the TPB, attitude toward the behaviour, subjective norms, and perceived behavioural control come together to predict behavioural intention which, in turn, mediates the relationship between attitudes, subjective norms, PBC, and actual behaviour.

Ajzen indicated that the precedent of any behaviour is the formation of an intention towards that behaviour. TPB is applied in order to investigate the deeper beliefs that influence a person's financial behaviour (Zocchi, 2013). Consequently, it is vital that strategies be researched and designed to help individuals in adopting positive financial behaviours. Generally, individuals are motivated to save (Abrahamse & Steg, 2009). Nevertheless, a participant's capability to can be influenced by the lack of opportunity, lack of knowledge, lack of willpower, and their attitudes toward savings and financial institutions.

The TPB has constantly been applied in the social psychology literature and has been applied to investigations in the field of credit counselling, personal finance and private money management both domestically and internationally .Financial knowledge or literacy has been found to be positively associated with improved financial behaviours, including higher rates of savings (Lyons , 2006). Researchers suggest that the more favourable the attitude toward the behaviour and subjective norm, and the greater the perceived behavioural control, the stronger the behavioural intention (Hrubes, Ajzen, and Daigle, 2001). Financial literacy was also added as a predictor to the TPB model as from various researches, it is conceivable that financial literacy is a contributory factor in determining the financial behavioural intention of people (Grable,2004). This study will reveal if acquisition of financial knowledge on credit management, savings, budgeting and booking keeping will have an impact on the managers ability to repay loans

2.1.3 Financial literacy theory

In their theory of financial literacy, Newton Palm (2011) posits that financial knowledge is a form of investment in human capital which shapes economic outcomes. The proponents argue that the behaviour of people with a high level of financial literacy might depend on the prevalence of the two thinking styles according to dual-process theories: intuition and cognition. Dual-process theories (Evans, 2008) embrace the idea that decisions can be driven by both intuitive and cognitive process. Intuition is the ability to acquire knowledge without any inference. Intuition provides views, understandings, judgements on what is not empirically verifiable or justifiable rationally. on the other hand, the process of transforming sensory input for use is called cognition.

Cognition is a faculty for the processing of information, applying knowledge, and changing preferences. Cognition, or cognitive processes, can be natural or artificial, conscious or unconscious. (Russell ,2004). Dual process theories have been studied applied to many different fields, e.g., reasoning and social cognition (Evans 2008). Financial literacy remains an interesting issue in both developed and developing economies, and has elicited much interest in the recent past with the rapid change in the finance landscape. Atkinson and Messy (2005) define financial literacy as the combination of consumers'/investors' understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and take other effective actions to improve their financial status.

2.2 Empirical Review

2.2.1 Book Keeping Skills and Performance of Micro and Small Enterprises.

Bookkeeping plays a crucial role in the management of businesses. It involves logical ad systematic recording of financial transactions of the business. Such transactions include purchases, sales, payments and receipts (Haber, 2004). The process of bookkeeping helps in allocating various incomes and expenses to respective accounts. These are the records that enable the manager of the business to track their activities to ensure the integrity of business transactions (McCarthy, 2000). Many of these bookkeeping processes can be undertaken using modern technology with the help of various computer softwares. These underlines the need for MSEs enterprises to adopt information technology in the execution of the business activities (Enon, 2000).

The process of bookkeeping facilitates the preparation of final accounts on which financial institutions and lenders base their evaluation for financing. The problem is that the smallness of the nature of financial transactions undertaken by micro and small enterprise makes the process of bookkeeping complex It is however emphasised that these records are crucial for the decisions of financial institutions as regards lending (Kipngetich, 2016). Additionally, the management of the inventory process in the organisations can be well manage if the management has engaged in consistent and accurate bookkeeping. As noted by (Miller ,2009), inventory management is a challenge to small and medium enterprises whose accuracy can be enhanced through proper and consistent book keeping by the MSEs managers/owners

Many new business owners are daunted by the mere idea of book keeping and accounting. But in reality, both are pretty simple. Book keeping and accounting share two basic goals: to keep track of income and expenses, this improves chances of making a profit, and to collect the financial information necessary for filing various tax returns. There is no requirement that records be kept in any particular way as long as your records accurately reflect the business's income and expenses. There is a requirement, however, that some businesses use a certain method of crediting their accounts: the cash method or accrual method. Depending on the size of the business and amount of sales, one can create own ledgers and reports, or rely on accounting (Williams et al., 1993). An accounting system records, retains and reproduces financial information relating to financial transaction flows and financial position. Financial transaction flows encompass primarily inflows on account of incomes and outflows on account of expenses. Elements of financial position, including property, money received, or money spent, are assigned to one of the primary groups i.e. assets, liabilities, and equity. Within these primary groups each distinctive asset, liability, income and expense is represented by respective “account". An account is simply a record of financial inflows and outflows in relation to the respective asset, liability, income or expense. Income and expense accounts are considered temporary accounts, since they represent only the inflows and outflows absorbed in the financial-position elements on completion of the time period (Williams et al., 2008). There are account types that include real accounts which represent physically tangible things in the real world and certain intangible things not having any physical existence.

2.2.2 Credit Management Skills and Performance of Micro and Small Enterprises.

The credit risk of a MSE guides the financing decision of lenders. Business with proper credit management strategies exhibit low credit risk thus becoming more attractive to banks and lenders for financing. It is however a challenge for the managers of micro and small enterprises to manage credit risk. (Mungal & Garbharran, 2014). It can also be argued that poor credit management is an impediment to the growth pf micro and small enterprises because they cannot secure financing for expansion.

The unfortunate bit is that managers of small and medium enterprises are not able to measure and control their level of credit risk. Owino (2017) asserts that the level of credit risk management in micro and small enterprises is dependent on the level of financial literacy of managers of MSEs. The author recommends for the need for financiers taking the managers through financial aliteracy training before advancing loans to them. Kipngetich (2016) evaluated how interest rates impacted on the credit risk level of MSEs and he established a direct relationship between financial literacy training and credit risk management of managers of Micro and Small enterprises. A similar challenge of credit risk management has been document as the key factor determining the financial performance of small business in the developing economies (Simiyu,2008).

Access to credit has been cited as a major challenge for most organizations especial small and medium enterprises. Several studies have proved the association between Credit management and performance of entities (Omara, 2007). Proper management of credit facilitates the acquisition of high amount of loans since financial institutions consider the organization as a less risk borrower.

Due to their small size SMEs' face a challenge of credit management policies which are frequently ad hoc, less systematic and informal in nature (Mungal & Garbharran, 2014). This hinders the banks and other financial institutions from providing the much-needed facilitation hence low level of growth and survival. Studies have shown conflicting evidence on the level of credit management financial literacy.

Kipngetich (2016) found that SMEs even though they assessed the risk associated with the loans by comparing different sources they did not have any knowledge of evaluating the effect of interest rates on the profitability which can be used as a key determinant on the ability to pay the loan principal and interest. Hence the conclusion that SME credit management literacy was low.

Simiyu (2008) investigated the challenges faced by micro finance institutions and identified that managing credit risk was one of the major challenge which SMEs have to overcome to be able to survive and thrive in the current environment of competition from large organizations

Idowu (2010) claims that a major barrier to rapid development of the micro and small enterprises sector is a shortage of both debt and equity financing. Accessing finance has been identified as a key element for micro and small enterprises to succeed in their drive to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation in developing countries. Small business especially in Africa can rarely meet the conditions set by financial institutions, which see small and medium enterprises as a risk because of poor Guarantees and lack of information about their ability to repay loans Idowu (2010). Without finance, micro and small enterprises cannot acquire or absorb new technologies nor can they expand to compete in global markets or even strike business linkages with larger firms Idowu (2010).

According to Cork and Nisxon (2000), poor management and accounting practices are hampering the ability of smaller enterprises to raise finance. This is coupled with the fact that micro and small enterprisesare mostly owned by individuals whose personal lifestyle may have far reaching effects on the operations and sustainability of such businesses according to (Idowu,2010). Given the myriad of challenges faced by MSEs and the central role played by their managers, who are often the owners of the business, having a sound credit management skill cannot be over emphasized.

A number of researchers such as García (2005) and Pansiri and Temtime (2008) have found that a lack of appropriate skills for MSE owner managers is one of the main causes of failure for MSEs. Fatoki and Odeyemi (2010a) define managerial competencies as sets of skills, attitudes, behaviours and knowledge that contribute to the effectiveness of an individual. According to these two authors, managerial skills play a key role in the success of small enterprises as they determine its growth. Likewise, (Fatoki and Asah, 2011) point out that lack of managerial skills, personal qualities and skills are major contributors to the failure of firms. Lack of managerial competence reduces the ability to develop sound plans and strategies for effective management of MSEs. Fatoki and Odeyemi (2010) explain that managerial skills influence business planning as well as the ability of the firm to obtain knowledge regarding sources of finance and means of obtaining it. As such, managerial skills do affect access by new small firms to financing.

2.2.3 Budgeting skills and Performance of Micro and Small Enterprises.

Research literature provides evidence of the association between Budgeting literacy and performance of entities (Josh et al, 2003; Mahmood, 2008; Chidi & Shadare, 2011; Kipngetich, 2016). Unlike large companies which tent to have detailed budgeting process, small entities may not have structures which support budgeting process. They may not even have the knowledge required to prepare the budget (Kipngetich, 2016) nor the understanding of the importance of having a budget as a road map to their operations.

Chidi and Shadier (2011) asserts that budgeting among the SMEs' face significant challenges due to accountability issues, lack of cooperation and participation, lack of understanding of the budgeting process, inability to meet set deadlines as well as setting of unrealistic estimates which makes the implementation of the budget in practical. These challenges are compounded by inadequate accounting systems which do not facilitate the provision of accurate and adequate data on timely bases for the monitoring of revenues and expenditures as well as budget planning (Mahmood, 2008)

2.2.4 Saving skills and Performance of Micro and Small Enterprises.

Studies have shown that one of the key constraints of SME success is inability to access operating capital to fund their business ventures (Kinyua, 2014). Despite of the effort put in place by the financial institutions to finance SMEs a lot needs to be done to ensure that they have adequate resources to operate optimally. Due to their inherent nature of operating small, SMEs do not have the luxury of accessing financing like the big organizations since they are considered as risky borrowers. As a result of lack of proper funding their growth is constrained.

Koech, Oyungi and Memba (2015) established that the source of funding significantly affects the growth of SMEs. Onugu (2005) argues that despite the incentives, programs, policies and support aimed at revamping the SMEs, they have performed rather below expectation in Nigeria. While an average operator would always hinge their failure to lack of access to finance, evidence has shown that fund/finance contributes only about twenty-five percent to the success of SMEs, which sounds insignificant. Thus, the creation of other appropriate support systems and enabling environment are indispensable for the success of SMEs in Nigeria (Ekwem, 2011). Some of these include the ability to manage the scarce funds to achieve optimal benefit for the business. Personal savings has been cited as a major source of SME capital for entrepreneurs (Kamunge,2014)

Also, Subhashree Nayak (2013), in a study carried out on the determinants and patterns of savings behaviour in rural household of western Odisha, Indian. The study focused on collection of primary data from the field. The secondary data is used to draw a general background and over all scenario in a cross states context. In rural areas, the marginal propensity to consume is more rather than the marginal propensity to save. The determinants of savings are analyzed empirically by a linear regression method. The income, level of expenditure, consumption pattern and saving behaviour is taken as the criteria for drawing the samples. The study reveals that the APC and MPC of the rural households varies in terms of the distribution of income and occupation i.e. in other words, the lowest income groups (the agricultural labours and the non-agricultural labours) have the highest marginal propensity to consume which leads to lowest marginal propensity to save as compared to the other occupational groups. In like manner, Soyibo and Adekanye (2013) tested the determinants of savings in Nigeria. The study also applied the ordinary least square method to find that lagged aggregate savings ratio as well as current GDP (Gross Domestic Product), foreign savings and ex post real interest rate were significant in savings determination in Nigeria. The non-significance of the income variable in the model specified could have resulted from multicollinearity since most of the equations had high R2 values. Based on the result, some recommendations were made.

Osundare (2013) evaluated the socio-economic determinants of income, savings and investment among cocoa farmers in Idanre Local government area of Ondo State, the study which identified the factors influencing income, savings and investment among the respondents applied a descriptive survey research design for the study. A structured questionnaire was used as an instrument for the data collection from 100 farmers from the area and a description of the socio-economic characteristics was done. The study also applied ordinary least square to determine the factors influencing savings, income and investment. The findings showed that age, non-farm income, farming experience, farm income and household sizes explained about 92% of the variations in the volume of savings among the respondents. Based on the findings, the study recommended among others that credit institutions with interest rate should be encouraged so that farmers would have more access to loan. Study on Risk and Savings in Northern Nigeria by Christopher (2008) shows savings by several households in different period is assumed to be a linear function of a vector of household characteristics which determine the level and variance of the household's permanent income which indicate the stage of the household in its life cycle.

Akinruwa, Awolusi and Ibojo (2013) also tried to study the determinants of small and medium enterprises (SMEs) performance in Ekiti State. The study was a survey study design with the use of purposive sampling technique and OLS was applied on it. The findings of the work show that managerial skills, government policy, education and facilities were significantly related with the performance. The authors therefore concluded that for business to continue achieving it expected performance, all determinants must be readily available to complement each other. Based on the findings, the study recommended among others that government should focus on the provision of all determinants that will enhance the thriving of SMEs performance.

2.3 Summary and Knowledge Gaps.

From the studies conducted, there is mixed evidence about the effect of financial literacy on the performance of MSEs. It is therefore, important for bankers, bank regulators, supervisors, investors and researchers to understand how financial literacy affects the performance of MSEs in terms of loan repayment. Hence, the researchers' main purpose in this proposal was to fill this significant gap by providing systematic analysis of the effect of financial literacy on the performance of MSEs with performance in mind. To achieve this goal, the researcher analysed the financial statements and loan history files of selected MSEs, financial literacy and annual supervision reports from Diamond Trust Bank as well as licensed Credit Reference Bureaus (CRBs). Few researches had been conducted on the area of financial literacy especially on performance of MSEs in Kenya and most had failed to show that there is a relationship between performance and the performance of MSEs as a result of financial literacy and this motivated the researcher to fill this gap in the literature.

2.4 Conceptual Framework

The conceptual framework focused on the independent variables and the dependent variables of the study. The independent variables included credit management skills, book keeping skills, budgeting skills and saving skills. The dependent variable of the study will be performance of micro and small enterprises. Performance is a function of many factors. S o m e are external to the MSEs while others are internal. The most important internal influences on ability to repay loans by MSEs are anchored in financial literacy.

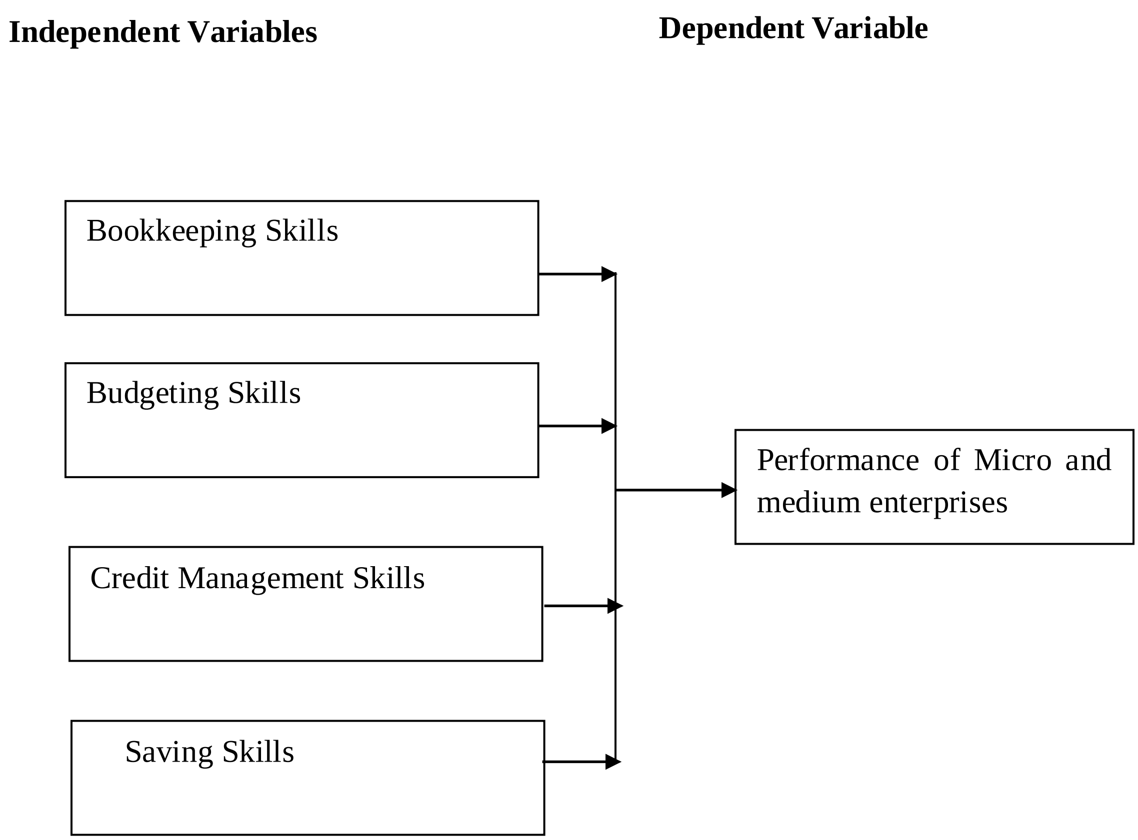

Figure 1: Conceptual Framework

2.5 Operationalization of Variables

The various variable that includes book keeping skills, credit management, budgeting and saving skills that will be used in this this study will be operationalized as explained below

2.5.1 Book Keeping Skills

The researcher will seek to examine the influence of training on book keeping on performance of micro and small enterprises. By use of a Likert measurement scale of 1-5, the study will seek to establish the extent to training on debtor's ledger, creditors ledger, purchases ledger and sales affects performance of micro and small enterprises

2.5.2 Budgeting Skills

The study will use budgeting skills as an independent variable. The researcher will examine how skills of preparation of cash budgets, sales and production budgets influence performance of micro and small businesses. The influence of this will be measured using a five-point scale of strongly agree (5), agree (4), Neutral (3). disagree (2) and strongly disagree (1)

2.5.3 Credit management Skills

From the literature above, a number of studies have established a nexus between credit management and financial performance of Mses. This study however seeks to examine how credit management skills of the owner influences loan repayment. Using a five-point Likert scale, the study will measure the extent to which training on debt recovery, credit risk management, credit appraisal and communication skills influences performance of micro and small business in Kenya.

2.5.4 Saving Skills.

Savings skills training for MSEs owners will also be considered as an independent variable influencing performance of micro and small businesses. The indicators for this variable will include savings programs, target savings and proportion of savings.

2.5.5 Performance of Micro and Small Enterprises

Performance is a function of many variables. This study will concern itself with examining the extent to which training on book keeping, credit management, savings, and budgeting skills influence performance of micro and small business. The performance of the MSEs will be measured in terms of amount defaulted and number of loans taken. The operationalization of the above variables is as summarized shown in the table below

Table 1: Operationalization of Variables

Variable	Indicator	Measurement
Bookkeeping skills	• Debtors ledger • Creditors ledger • Purchases ledger • Sales ledger	(1 – 5) Likert scale
Budgeting skills	• Cash budget • Sales budget • Production budget • Frequency of preparation • Employee involvement	(1 – 5) Likert scale
Credit Management skills	• Debt recovery • Credit risk • Communication skills • Credit appraisal	(1 – 5) Likert scale
Saving skills	• Savings programs • Amount of savings • Target savings • Savings products	(1 – 5) Likert scale
Performance of Micro and Small Business	• Number of loans • **Number of employees** • **Sales Volume**	(1 – 5) Likert scale

2.6 Chapter Summary

This chapter reviewed the literature on the factors affecting employee satisfaction in the manufacturing sector. The chapter commenced with the introduction which was then followed by the study’s theoretical review. The empirical section was reviewed according to the study’s objectives which involved determining the effect of factors such as; management style, communication, organization structure, working environment and remuneration on employee satisfaction. The conceptual framework is then reviewed followed by the operationalization of variables and then the chapter summary. The next chapter will outline the methodology that will be used in data collection and analysis.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

This section of the document explains the research design to be used and the target population to be considered. The section also highlights the determination of the size of the sample and how the data will be collected and analysed. The test of reliability and validity is also considered. The financial section looks at ethics in research.

3.1 Research design

A plan that is used by the researcher in seeking answers to research questions is called a research design (Cooper & Schindler, 2013). This study used descriptive research design to answer questions concerning the effect of entrepreneurial training on the performance of micro and small enterprises (Mugenda & Mugenda, 2019). Descriptive research describes things as they exist presently (Kothari, 2009). Cooper and Schindler (2013) observe that descriptive research is concerned with finding out who, what, where, when and how much. The researcher prefers this research as she would like to report things as they exist.

3.2 Target Population

The target population for this study was 152 owners/managers of micro and small enterprises operating in CBD of Murang'a Town. These will comprised mini-supermarkets, kiosks, workshops, retail shops, cafeterias, salons, pubs, hardware stores, metal workshops and chemists. The target population constitutes the population results of the study will be generalized (Kithae, 2012). The target population was as summarized in table 2

Table 2: Target Population

Business	Number	Percentage
Groceries	20	10
Cafeterias	11	06
Hardware	09	10
Min supermarkets	04	03
Salons	24	13
Chemists	19	10
Kiosks	29	15
Retail Shops	16	09
Workshops	04	07
Dispensaries	04	04
Total	152	100

Source: County Government of Murang'a (2021)

3.3 Sample and Sampling Technique

The study used stratified random sampling to select respondents for the study .in stratified random sampling, the data is divided into strata and items /units randomly and proportionately selected from each stratum (Peil,2009). A sample of 46 respondents were selected. This represented 30% of the target population. Descriptive studies require a sample size of between 10% and 30% of the target population. (Mugenda & Mugenda, 2009). This study sample was as summarized in table 3.

Table 3: Sample size

Business	Number	Sample =30%
Groceries	20	06
Cafeterias	11	04
Hardware	09	03
Min supermarkets	04	02
Salons	24	08
Chemists	19	06
Kiosks	29	09
Retail Shops	16	05
Workshops	04	02
Dispensaries	04	02
Total	152	46

3.4 Instruments

The study used questionnaires for data collection. The questionnaire was designed to have both open and closed ended questions Questionnaires are considered to be cheaper instruments of data collection and that the researcher is able to obtain volumes and volumes of data within a short period of time (Glen, 2010). It is however noted that the questionnaires have the disadvantage of not being able to be administered to illiterate respondents not able to read and write (Lyon, 2007)

3.5 Pilot Study

The essence of undertaking instrument piloting through study is to see if indeed the instruments will be of help in the study. The helps the researcher to pick out from the instrument those items that they elicit unnecessary or irrelevant responses for the respondents thus making the instrument efficient. The pilot study also provided a basis on which the validity and reliability of the instrument was tested (Sekaran, 2015). Piloting for this study was done using 5 respondents from Kenol Town Centre.

3.5.1 Validity

It is important for the data collected to be able to bring out the study concept that is under consideration. This is what is referred to as instrument validity.it is measured using expert judgment. This study sought the input of the university supervisor before the administration of the instrument (Mugenda and Mugenda ,2019). The suggestions of the supervisor will be incorporated in the before administering it to the respondents

3.5.2 Reliability

The consistence of the instruments used in very crucial. This implies that the same data should be obtained from the same population (Best & Kahn, 2014). The Cronbach's alpha reliability coefficient for the independent variables is normally computed to ascertain the reliability of the instruments. Generally, a coefficient of over 0.8 is considered good. The Cronbach coefficient for this study was 0.83 meaning that the instruments were considered reliable (Sekaran 2015)

3.6 Data Collection Procedure

After getting introductory letter from MUA, the researcher proceeded to the County Government of Murang'a Offices to seek for authorization to collect data from the businesses operating In Town. The respondents were given one week to respond to questionnaires and return them for analysis.

3.7 Data Analysis and Presentation

For data to be meaningful and orderly it needs to be analyzed (Kothari, 2007). It is not possible to interpret data in its raw form for as obtained from the research instrument. To make headway of this data, it was cleaned and coded and entered into a computer. Quantitative data was tabulated and analysed using percentages and descriptive statistics like mean. Qualitative data from the open-ended questions was analysed on the basis of various themes and presented in narrative form and prose

3.8 Ethical Considerations

3.8.1 Informed consent

The concept of informed consent requires that the participants are not engaged in any study with being made aware of what they are exactly involved in. This gave the respondents the opportunity to make a decision on their involvement in the study (Beauchamp & Childress, 2009).

3.8.2. Voluntary participation

The principle of voluntary participation requires that no respondent is coerced to participate in the study (Shamoo & Resnik, 2015). This means that the respondents were free to decline or withdraw any time during the research period.

3.8.3 Confidentiality

The information being sought by the researcher may be confidential in nature. This will require that the researcher seeks for permission from authorities and respondents before collecting such information. The researcher sought for permission from both Management University of Africa and the County Government before proceeding to collect data. The respondents were also assured that whatever information they provide is for purposes of academics.

3.8.4 Privacy

Codes and pseudonyms were utilized so as to protect participant identity. In doing so, the likelihood of identifying the participants through their responses to items in the questionnaire is not possible.

3.8.5 Anonymity

Through anonymity, the details of the participant are handled in a manner to ensure their identity is protected. This was done by advising them not to write any details on the questionnaire. They were also be coded and as such were not be required to write their actual names on the questionnaires.

3.9 Chapter Summary

This section describes the research methodology. The research design will be discussed first where the defined research design and the type of design used in the study. The chapter then explained the target population for the study. I elaborated on sampling design, sampling frame, sampling technique and the sample size. Data collection methods have been expounded upon including the instrument used to collect data. A research procedure has also been deliberated upon. The chapter finally discussed data analysis methods for the study.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

This chapter presents the data analysis, presentation and discussions. The reliability test employed was the Cronbach Alpha coefficient which measured 0.83. A measure of a= 0.7 is considered consistent enough for research, hence the data under analysis in this research is reliable. Tables and figures have been used to present the analysed data.

4.1 Presentation of Research Findings

4.1.1 **Response Rate**

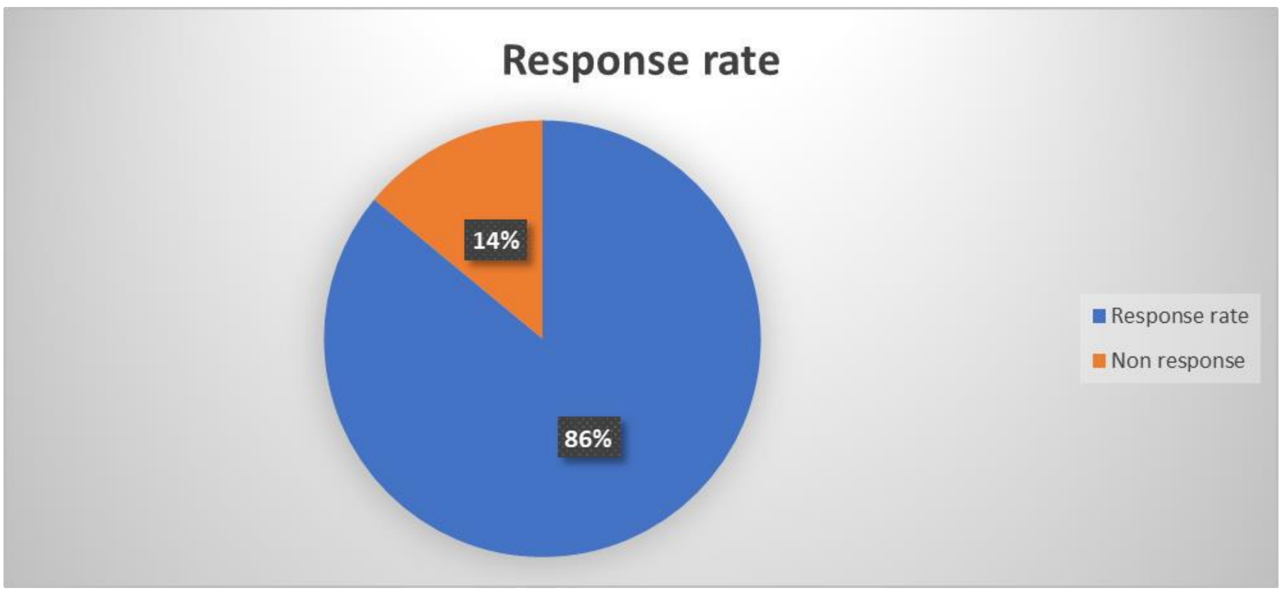

Figure 2: Response rate

The researcher cleaned and coded the questionnaires received to ascertain the rate of response. In this research study 46 questionnaires were distributed, of these 40 questionnaires were returned. This represented 86% response rate. According to Mugenda and Mugenda (2003) a response rate of 50% is classified as adequate enough for the continuation of data analysis; a rate of 60% is classified as good and over 70% rated as excellent. The response rate for this study is considered excellent according to above criterion.

4.1.2 Gender

The research obtained data on the gender of the respondents involved in the study. The data obtained from the field is as shown in Table 4

Table 4: Respondents' Gender

Gender	Frequency	Percentage
Male	22	54
Female	18	46
Total	**40**	**100**

The data on gender extracted from the study questionnaire showed that 28 of the respondents, 54% of them were male while 24 of them, 46% were female. This indicates that the disparity in number of men running small businesses in Murang'a Town is not very big from that of women.

4.1.3Age of respondents

The distribution of the respondents in terms of their ages was recorded. The data obtained were summarized as in figure 3.

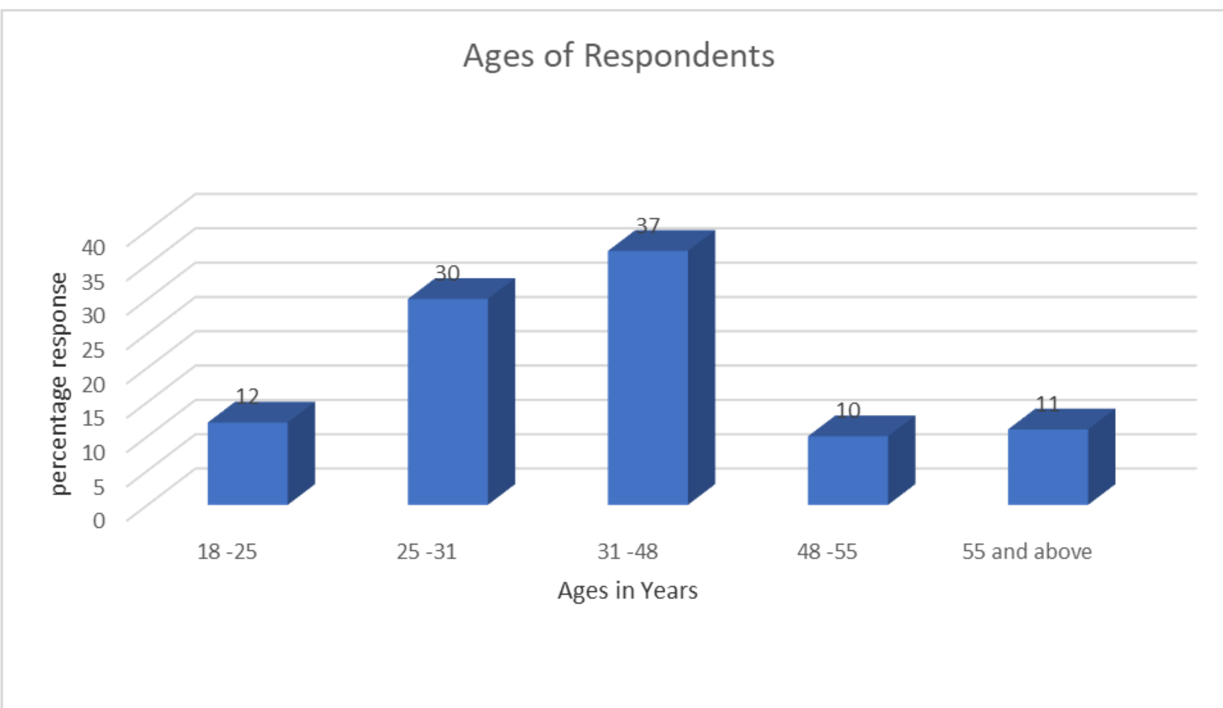

Figure 3: Respondents' Age.

From the data presented in figure 3, majority (37%) of the respondents were aged between 31 years and 48 years,30% were aged between 25 and 30 years,12% aged between 18 and 25 years,10% aged between 49 and 54 years and 11% aged 55 years and above. The findings indicate that the majority of respondents are in the productive ages of between 25 years to 48years of age.

4.1.4 **Level of Education**

This research collected data from the on the highest level of formal education completed by the study respondents. The data was analysed and presented as shown in figure 4

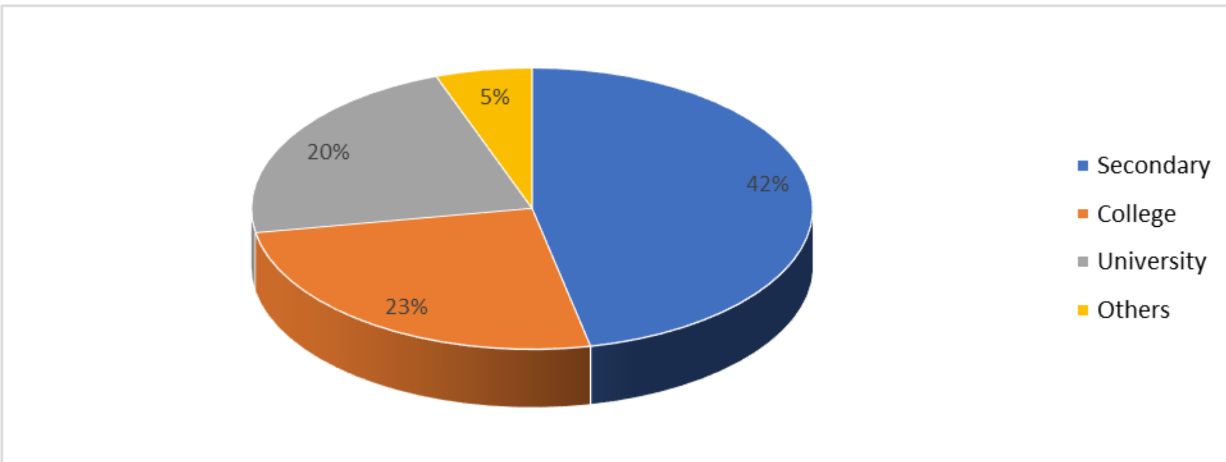

Figure 4: Level of Education

Figure 4 show that, 42% of the respondents indicated to have completed secondary education, 23% had college level education, 20% had been to the university, while 5% have other qualifications including apprenticeship. From the analysis, it is clear that the respondents had adequate qualification to enable them run business operations with ease.

4.1.5 **Years of operation**

The respondents were requested to indicate their Years of operation. The collected data on the Years of operation is presented as shown in figure 4

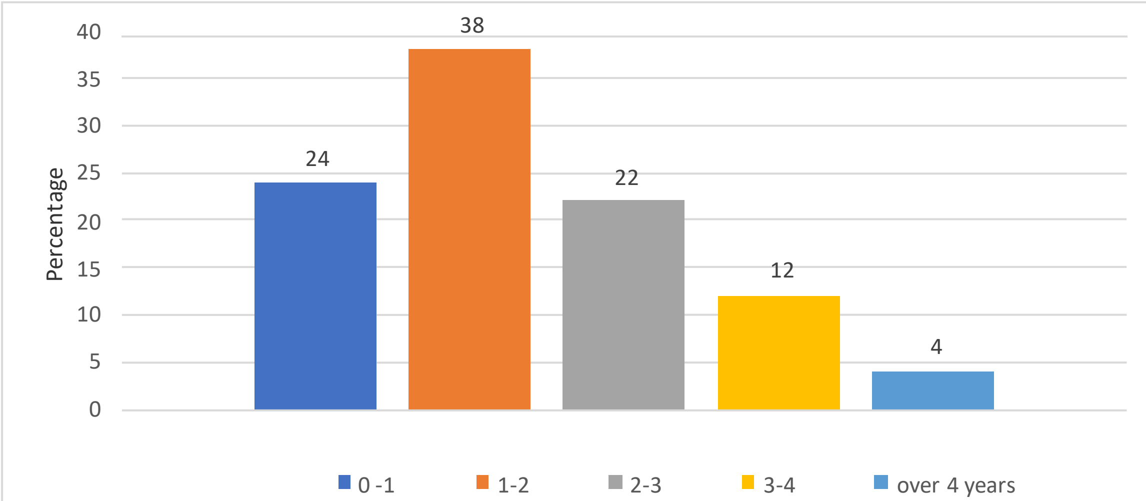

Figure 5: Years of Operation.

The years of operation of businesses are largely between ten years and below. The majority of the businesses, 38% have been in business for between 1-4 years, 24% have been in business for less than one year.22% have been in business for between 5 -10 years, 12% have been in business for 10-14 years and 4% have been in business for 15 years and above. The data indicates that the most small businesses in Murang'a town are less than 10 years old.These showed that ows

4.1.6 Practice of Bookkeeping

The researcher sough to know for the respondents whether they practiced any book keeping before the entrepreneurial training. The information obtained from respondents is as summarised in the table below.

Table 5: Practice of Bookkeeping

Response	Number	Percentage
Yes	10	25
No	30	75
Total	**40**	**100**

From the data obtained from respondents and analysed as shown in table 6, majority (75%) of the respondents indicated that they never practiced any bookkeeping in their businesses before the training. This study result confirms the findings by Muchira (2012) indicating that majority of micro and small enterprises hardly prepare financial records, attributing it to inadequate skills and training.

4.1.6.1 Financial records kept

The research sought to find out the kind of financial records kept by the small business owners particularly after training. The data obtained from the respondents using in questionnaires is as summarised in the table below

Table 6: Financial records kept

Records	Number	Percentage
Debtors ledger	04	10
Creditors ledger	02	05
Purchases ledger	09	22.5
Sales ledger	15	37.5
Trial balance	10	25
Total	40	100

The data analysed and presented in table 7 indicates that majority (37.5%) of the businesses prepare a sales ledger,25% prepare a trial balance,22.5% prepare a purchases ledger,05% a creditors' ledger and 10% a debtor's ledger.

4.1.6.2 : Opinion on bookkeeping training and performance of small business.

The data to examine the status of bookkeeping after training and performance of micro and small enterprises in table 8.

Table 7: Opinion on bookkeeping training and performance of small business.

Statement	n	Mean	s. d
My skills in maintaining the debtors and creditors ledgers helped me in expansion endeavors	40	2.225	0.4125
Training in maintaining purchasers and sales ledgers increased your business's competitiveness.	40	3.950	1.2009
My ability of balancing the ledgers & trial balance and preparation of financial statements has improved your loan award qualifications	40	1.575	0.0235

Looking at the analysis in table 4.4, the respondents agree (Mean=2.225) that their skills in maintaining the debtors and creditors ledgers has helped them in the expansion endeavors. However, the respondents disagree (Mean=3.950) with the opinion that training in maintaining purchasers and sales ledgers has increased their business's competitiveness. A study by Muchiri (2016) indicates that there is a significant positive relationship between training on bookkeeping and performance of micro and small enterprises. The revelation of the study is in agreement with the finding by Nkatha (2018) that preparation of accounts influences financial performance of small business. The analyzed data also revealed that (mean=1.575) that the ability of balancing the ledgers and trial balance and preparation of financial statements has improved the ability of businesses to obtain loans from financial institutions. A study by Kinyanjui (2019) indicates that poor book keeping is one of the impediments of access to funds from banks by small and medium enterprises

4.1.6.3 : Extent to Which bookkeeping influences performance of small business.

Table 8: Extent to Which bookkeeping influences performance of small business.

Statement	n	Mean	s. d
Extent to Which bookkeeping influences performance of small business.	40	2.125	0.3267

The analysed data as shown in table 8 show the extent to which bookkeeping influences performance of small business. From the analysis, majority of the respondents indicated that to a great extent(mean=2.125), bookkeeping influences performance of small business.

4.1.7 **Budgeting Skills Training**

4.1.7.1 **Practice of Budgeting**

The researcher sough to know for the respondents whether they practiced any budgeting before the entrepreneurial training. The information obtained from respondents is as summarised in the table below.

Table 9: Practice of Budgeting

Response	Number	Percentage
Yes	05	12.5
No	35	87.5
Total	**40**	**100**

From the data obtained from respondents and analysed as shown in table 9, majority (87.5%) of the respondents indicated that they never practiced any budgeting in their businesses before the training. This study result confirms the findings by Kariuki (2016) indicating that majority of micro and small enterprises do not prepare budgets making it difficult for them to access finances from lenders. The inability to preparade budgets is linked to the level of education and training of the owners of micro and small enterprises.

4.1.7.2 : Opinion on budgeting and performance of small business.

The data to examine the status of budgeting after training and performance of micro and small enterprises in table 8.

Table 10: Opinion on budgeting and performance of small business.

Statement	n	Mean	s. d
Budgeting is done frequently	40	2.138	0.4125
Employees are involved in preparation of budgets for the business	40	3.950	1.2009
Preparation of budgets enhances financial management	40	1.575	0.0235

Looking at the analysis in table 4.4, the respondents agree (Mean=2.138) that budgeting is done regularly after the training. However, the respondents disagree (Mean=3.950) with the opinion that employees are involved in preparation of budgets for the business. The budget is considered as a plan and as Aosa (2014) posits, it is important for employees to be involved in organisational plans in such plans have to see the light of the day. The analyzed data also revealed that (mean=1.575) that preparation of budgets enhances the financial performance of small and medium businesses. This fining concurs with the results of a study by Wambui (2017) indicating the relevance of budgeting on the financial performance of organisations

4.1.7.3 : Extent to Which budgeting influences performance of small business.

Table 11: Extent to Which budgeting influences performance of small business.

Statement	n	Mean	s. d
Extent to Which budgeting influences performance of small business.	40	2.009	0.1267

The analysed data as shown in table 8 show the extent to which budgeting influences performance of small business. From the analysis, majority of the respondents indicated that to a great extent(mean=2.009), budgeting influences performance of small business.

4.1.8 **Credit Management Skills Training**

4.1.8.1 Credit Management Program

The researcher sough to know for the respondents whether they had a credit management program before the entrepreneurial training. The information obtained from respondents is as summarised in the table below.

Table 12: Credit Management Program

Response	Number	Percentage
Yes	08	20
No	32	80
Total	**40**	**100**

From the data obtained from respondents and analysed as shown in table 10, majority (80%) of the respondents indicated that they never had a credit management program in place before the training. This study result confirms the findings by Kimathi (2018) indicating that inadequate credit management skills isa key factor affecting financial performance of micro and small enterprises.

4.1.8.3: Opinion on credit management skills training and performance of small business.

The data to examine the status of credit management skills after training and performance of micro and small enterprises in table 8.

Table 13: Opinion on credit management skills training and performance of small business.

Statement	n	Mean	s. d
Training on debt recovery has improved the revenue of the business	40	2.025	0.1125
I was trained on the management of credit risk	40	1.950	0.0235
My ability to manage credit risk has increased the business cash flow.	40	1.575	0.0235

Looking at the analysis in table 4.4, the respondents agree (Mean=2.025) that training on debt recovery has improved business revenue. However, the respondents agree (Mean=1.950) with the opinion that they were trained on credit risk and that their to manage credit risk has increased the business cash flow. A study by Owino (2019) indicates that there is a significant positive relationship between credit risk management and financial performance of micro and small enterprises.

4.1.8.3 : Extent to Which credit management skills influences performance of small business.

Table 14: Extent to Which credit management skills influences performance of small business.

Statement	n	Mean	s. d
Extent to Which credit management skills influences performance of small business.	40	2.003	0.3267

The analysed data as shown in table 8 show the extent to which credit management skills influences performance of small business. From the analysis, majority of the respondents indicated that to a great extent(mean=2.003), credit management skills influence performance of small business.

4.1.8.4 Challenges in implementing Credit management skills

Data was collected to determine the existence of challenges in credit management among the entrepreneurs in Murang'a town. The data was analysed and presented as shown in figure 4.

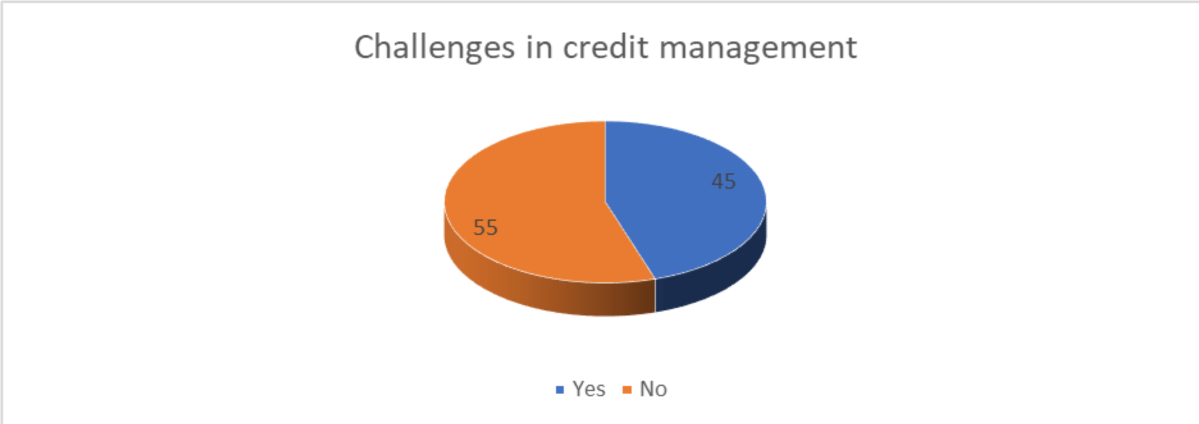

Figure 6: Challenges in credit management

The data in Figure 6 above indicate that that the number of respondents facing challenges in credit management 45% are less than the respondents who have no challenges (55%). The training must have helped in alleviating the challenges. These findings conform with the position by Kipngetich (2016) that most small and medium enterprise owners have challenges as regards the management of credit. On the same note, Simiyu (2008) agrees with the findings of this study the management of credit risk is one of the biggest challenges facing small and medium enterprises

4.1.9 Savings Skills

4.1.9.1 Practice of Savings plan

The study sought to establish the proportion of micro and small enterprises that had savings plans before the training The outcome is as depicted in table 4.6 below.

Table 15: Savings Plans before training

Response	Frequency	Percentage
Yes	20	38
No	32	62
Total	**52**	**100**

The findings in table 16 indicates that the majority of respondents, (62%) did not have savings plans before the financial literacy training, while the rest (38%) had savings plans before the training. The results of this analysis conform with the finds by Nayak (2013) who indicated that small and medium enterprises lack elaborate saving plan because the marginal propensity to save is low.

4.1.9.2 Savings Records

This researcher collected data from the respondents on whether they were up to date with the saving records. The data was analysed and presented as shown in Figure 7 below

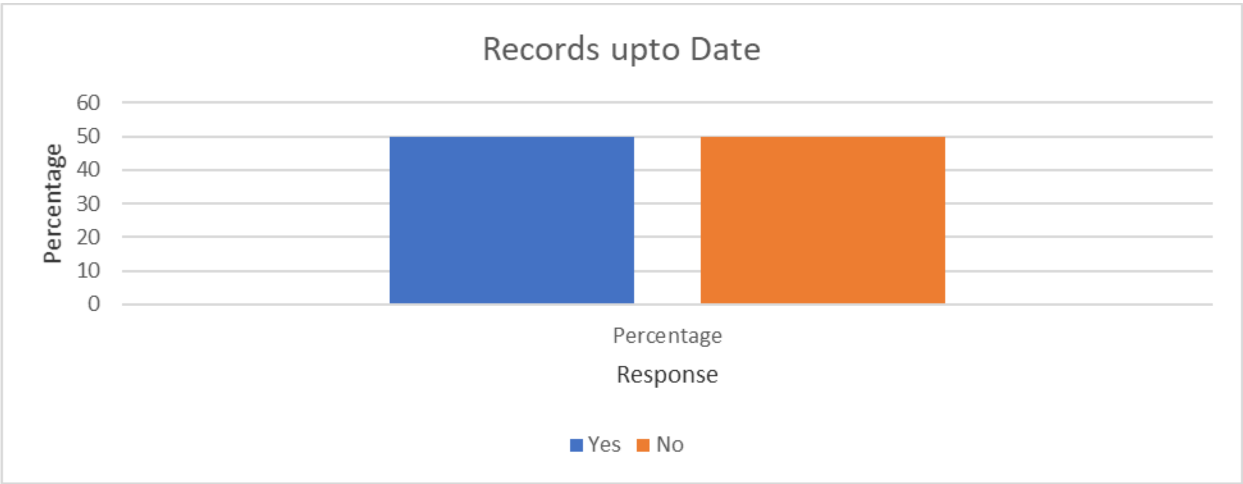

Figure 7: Saving Records.

The data in Figure 7 above indicates that half of the respondents (50%) while another half of the respondents (50%) do not have their savings records up to date. The data indicates that there is room for improving keeping of savings records among the SMALL BUSINESSES in Murang'a town . These results concur with the finding by Osundare (2013) postulating that micro and small enterprises lack the requisite professional skills for the update keeping of records. A similar sentiment is presented by Christopher (2008) showing that indeed, the major impediment to the progress of micro and small enterprises is inadequacies in record keeping.

4.1.9.3 Impact of training on Savings

The respondents were required to give feedback on the impact of training on their savings. The data was analysed and presented as shown in Figure 8

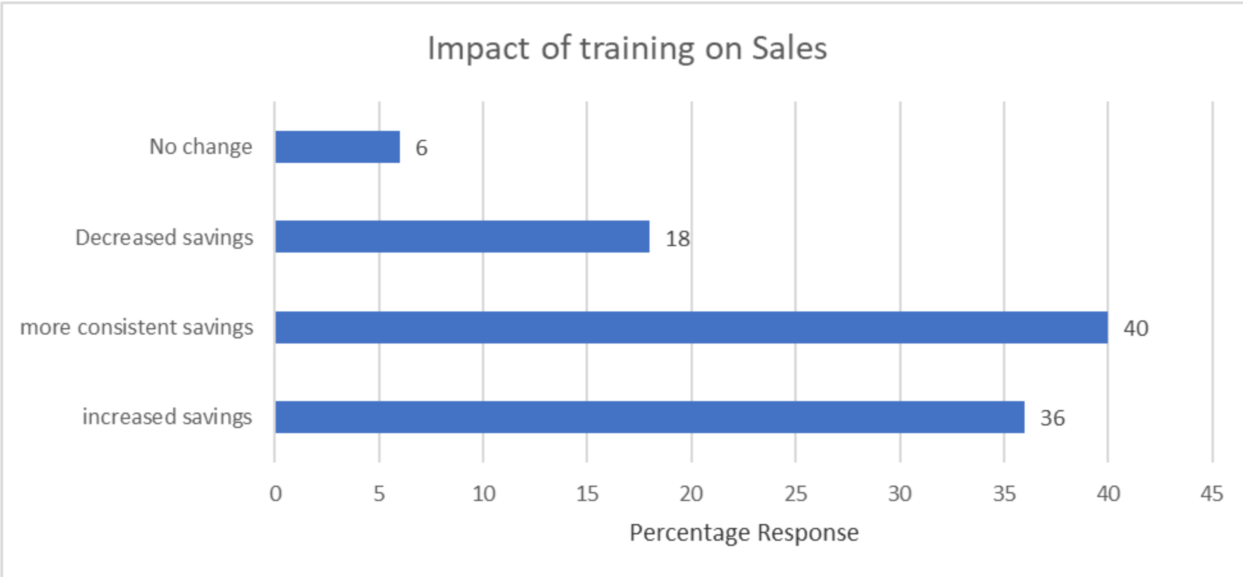

Figure 8: Impact of training on savings.

From the data analysed and presented in Figure 8, majority (40%) of the respondents indicated that training led to consistency in savings,36% indicated that such training led to increased savings ,18% cited decreased savings and 8% cited no change in savings. From this analysis, it can be concluded that training in savings has a positive impact of savings levels of micro and small enterprises. These results are in conformance with the findings by Muigai&Mutiso (2018) indicating that financial literacy training featuring ion savings has an impact on the savings levels of small and medium enterprises

4.1.9.4 Savings skills aspects

The objective of the study was to determine, to what extent do saving skills training influence performance of micro and small enterprises. The respondents were asked to rate various aspects of saving skills on a scale of 1 to 5. 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4= Agree, 5=Strongly Agree. The findings are presented using a mean scale of 1-5. 1≤1.4 implies strongly disagree, 1.5≤2.4 implies agree, 2.5≤ 3.4 implies neutral. 3.5≤ 4.4 agree. 4.5≤ 5 strongly agree; Standard deviation is used to give a description of the distribution of the mean. A low standard deviation indicates that most of the respondents are closer to the average. A standard deviation of more than 1 indicates that there lacks a consensus among respondents. The outcome is as depicted in table 4.7 below.

Table 16: Savings Skills

Statements	Mean	Std. Deviation
I had a savings program in place before attending training	2.7300	.83666
Training on various savings products has enhanced my ability to repay loans	2.2000	.73660
The amount of money dedicated to savings increased after the savings skills training	2.6900	.44700
The savings skills training has enabled me to put a target savings plan in place	1.4000	.54772

The data from table 4.7 above register strong agreement that saving skills has enabled respondents to put a target savings plan in place with a mean of 1.4, respondents also agree that training on various savings products has enhanced the ability to repay loans at a mean of 2.2.This analysis conforms with the position by Muigai&Mutiso(2018) establishing a positive significant relationship between financial literacy training on savings and performance of small traders in Ngala, Nairobi. The amount of money dedicated to savings increasing after saving skills training seem to remain neutral with a mean of 2.69 and having sales program in place before attending training also received a neutral response. The findings indicate importance of saving skills for enhanced business performance. The results agree with the finding by Ibojo (2013) indicating that owners of small and medium enterprises lacking saving skills experience problems in the management of the business funds.

4.2 Limitations of the study

The greatest limitation was fear by the small businesses that the information they were giving could be used to deny them loans. To mitigate this problem, a cover letter was written and accompanied each questionnaire that assured them of confidentiality of the information given and indicating that the data was to be used specifically for academic purposes.

4.3 Chapter summary

This section of the document mainly analysed the data obtained from the respondents. The data was then analysed and presented using table and figures. The study limitations and summary of the chapter are also captured in this section.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.0 Introduction.

This study focused on investigating the effects of entrepreneurial training on performance of micro and small businesses with a focus on Murang'a Town Central Business District. The study specifically examined the book keeping, budgeting skills, credit management skills and saving skills training influence performance of micro and small enterprises in the Central Business District of Murang'a Town. Data was obtained from respondents using questionnaires and analysed using inferential and descriptive statistics. This section contains the summary of findings for the study, recommendations and conclusion

5.1 Summary of Findings

The study revealed from majority (75%) of the respondents that they never practiced any bookkeeping in their businesses before the training. This study result confirms the findings by Muchira (2012) indicating micro and small enterprises hardly prepare financial records, attributing it to inadequate skills and training. In ascertaining the kind of records kept, it was established that majority (37.5%) of the businesses prepare a sales ledger,25% prepare a trial balance,22.5% prepare a purchases ledger,05% a creditors' ledger and 10% a debtor's ledger. It was further revealed (Mean=2.225) that skills in maintaining the debtors and creditors ledgers has helped them in the expansion endeavors. However, the respondents disagree (Mean=3.950) with the opinion that training in maintaining purchasers and sales ledgers has increased their business's competitiveness. A study by Muchiri (2016) indicates that there is a significant positive relationship between training on bookkeeping and performance of micro and small enterprises. The revelation of the study is in agreement with the finding by Nkatha (2018) that preparation of accounts influences financial performance of small business. The analyzed data also revealed that (mean=1.575) that the ability of balancing the ledgers and trial balance and preparation of financial statements has improved the ability of businesses to obtain loans from financial institutions. A study by Kinyanjui (2019) indicates that poor book keeping is one of the impediments of access to funds from banks by small and medium enterprises. The study further found out that to a great extent(mean=2.125), bookkeeping influences performance of small business.

In examining whether they practiced any budgeting before the entrepreneurial training. It was revealed from majority (87.5%) of the respondents that indeed, budgeting was never practiced before the training. This study result confirms the findings by Kariuki (2016) indicating that majority of micro and small enterprises do not prepare budgets making it difficult for them to access finances from lenders. The inability to preparade budgets is linked to the level of education and training of the owners of micro and small enterprises. The study also found out that budgeting is done regularly after the training. However, the respondents disagree (Mean=3.950) with the opinion that employees are involved in preparation of budgets for the business. The budget is considered as a plan and as Aosa (2014) posits, it is important for employees to be involved in organisational plans in such plans have to see the light of the day. The analyzed data also revealed that (mean=1.575) that preparation of budgets enhances the financial performance of small and medium businesses. This fining concurs with the results of a study by Wambui (2017) indicating the relevance of budgeting on the financial performance of organisations. It was generally established from the analysis as majority of the respondents indicated that to a great extent(mean=2.009), budgeting influences performance of small business.

In relation to whether or not the respondents had a credit management program before the entrepreneurial training, majority (80%) of the respondents indicated that they never had a credit management program in place before the training. This study result confirms the findings by Kimathi (2018) indicating that inadequate credit management skills isa key factor affecting financial performance of micro and small enterprises. It was also revealed (Mean=2.025) that training on debt recovery has improved business revenue. However, the respondents agree (Mean=1.950) with the opinion that they were trained on credit risk and that their ability to manage credit risk has increased the business cash flow. A study by Owino (2019) indicates that there is a significant positive relationship between credit risk management and financial performance of micro and small enterprises. It is further established from the analysis, majority of the respondents indicated that to a great extent(mean=2.003), credit management skills influence performance of small business. In regard to the credit management challenges, it was revealed that 45% are facing such challenges compared to 55% who are not. These findings conform with the position by Kipngetich (2016) that most small and medium enterprise owners have challenges as regards the management of credit. On the same note, Simiyu (2008) agrees with the findings of this study the management of credit risk is one of the biggest challenges facing small and medium enterprises

As concerns saving skills training, majority (62%) did not have savings plans before the financial literacy training, while the rest (38%) had savings plans before the training. The results of this analysis conform with the finds by Nayak (2013) who indicated that small and medium enterprises lack elaborate saving plan because the marginal propensity to save is low.

It was found out that 50% of the respondents do not have up todata savings records) while another half of the respondents (50%) do not have their savings records up to date. The data indicates that there is room for improving keeping of savings records among the Small Businesses in Murang'a town. These results concur with the finding by Osundare (2013) postulating that micro and small enterprises lack the requisite professional skills for the update keeping of records. A similar sentiment is presented by Christopher (2008) showing that indeed, the major impediment to the progress of micro and small enterprises is inadequacies in record keeping. The study further found out from majority (40%) that training led to consistency in savings,36% indicated that such training led to increased savings ,18% cited decreased savings and 8% cited no change in savings. From this analysis, it can be concluded that training in savings has a positive impact of savings levels of micro and small enterprises. These results are in conformance with the findings by Muigai&Mutiso (2018) indicating that financial literacy training featuring ion savings has an impact on the savings levels of small and medium enterprises. The study registered a strong agreement that saving skills has enabled respondents to put a target savings plan in place with a mean of 1.4, respondents also agree that training on various savings products has enhanced performance at a mean of 2.2.This analysis conforms with the position by Muigai&Mutiso(2018) establishing a positive significant relationship between financial literacy training on savings and performance of small traders in Ngala, Nairobi. The amount of money dedicated to savings increasing after saving skills training seem to remain neutral with a mean of 2.69 and having sales program in place before attending training also received a neutral response. The findings indicate importance of saving skills for enhanced business performance. The results agree with the finding by Ibojo (2013) indicating that owners of small and medium enterprises lacking saving skills experience problems in the management of the business funds.

5.2 Conclusion

The study concludes that bookkeeping has a big role to play in enhancing the financial management skills of the small businesses owners making it easy for them to have adequate cash flows for performance of micro and small enterprises. It can also be concluded that the managers of micro and small enterprises have an idea what bookkeeping is given that some of them were able to prepare creditors ledger and debtors Ledger.

Concerning budgeting, the researcher concludes that the small businesses operating in Murang'a Town have not been undertaking budgeting as a business management practice. The training on budgeting stalls was therefore of significance in enhancing the financial management skills of the managers thus promoting performance of micro and small enterprises.

The researcher concludes from the study that majority of micro and small enterprises lack adequate skills in the management of credit which is a very important tool for enhancing business revenue. It is also concluded that micro and small enterprisesare bale to repay their loans if they are able to manage their credit risk

In relation to savings skills, it can be concluded that majority of micro and small enterprises have not embraced saving. The researcher further concluded that training is essential in upgrading the saving habits of the managers/owners. The study further concludes that inadequate saving habits lead to poor management of the business funds and increased challenges in performance of micro and small enterprises.

5.3 Recommendations

The researcher made the following recommendations on the basis of the study findings summarised above.

The study recommended that the management of micro and small enterprises should give equal emphasis to all books of account. The managers should also hire professionals at a fee to help them prepare books for enhanced financial management and performance of micro and small enterprises. Financial institutions can continually assist business managers in the preparation of the required books before advancing loans to them.

The study recommended that the managers/owners of micro and small enterprises need to involve employees in the budgeting process. This will help in ensuring the success of the entire process. The study further recommended for the management of micro and small enterprises to be attending similar trainings to sharpen their budgeting skills which in turn help them to repay their loans

Concerning credit management skills, the researcher recommended for the financial institutions to provide credit management training to Small businesses owners/managers before advancing credit. The owners/managers should also be trained on how to identify and management credit risk. This will enhance their ability to repay the loans advanced to them by financial institutions

The study recommended that the management of financial institutions and the county government of Murang'a and other stakeholders should continually train the small businesses owners/managers on the need for savings. Specifically, financial institutions extending finances to small businesses should seek to enhance the saving skills of the managers/owners as this has a bearing on their ability to repay the loans advanced to them. Additionally, the study recommends the need for national government to roll out a training on aspects of savings to small businesses so as to enhance their ability for performance of micro and small enterprises

5.4 Recommendations for further Studies

The study recommended that a similar study be done on any other training programs like that of Equity Bank foundation to compare the findings

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION.

Dear respondents,

My name is David Macharia. I am currently pursuing a degree in Business Management and Leadership at the Management University of Africa. As part of my course, I am required to conduct a study on the **EFFECTS OF ENTREPRENEURAL TRAINING ON PERFORMANCE OF MICRO AND SMALL BUSINESSES: A CASE OF MURANG'A TOWN CENTRAL BUSINESS DISTRICT.** Kindly respond to the attached questionnaire to help me achieved this end. Your responses will be handled in regard to the requirements of research ethics.

Thank you in advance

Yours Sincerely,

David Macharia

Mobile ;0729003141

APPENDIX II: QUESTIONNAIRE

Please respond to the following questions giving your opinion and selecting optional answers you agree with.

SECTION A: BACKGROUND INFORMATION

1. **Please select your highest level of education**
   a) Secondary ( )
   b) College ( )
   c) University ( )
   d) Other qualifications ( )
   Specify…………………………………………………………………………………

2. **What is the range of your work experience in complete years?**
   a) Less than 1 year ( )
   b) Between 1 to 5 years ( )
   c) 6 to 10 years ( )
   d) 11 to 15 years ( )
   e) Over 15 years ( )

3. **Select your gender**
   a) Male ( )
   b) Female ( )

4. **Age of respondents in complete years**
   a) 18 to 25 years ( )
   b) 26 to 30 years ( )
   c) 31 to 35 years ( )
   d) 36 to 40 years ( )
   e) Over 40 years ( )

SECTION B: BOOK KEEPING

1. Did you practice any book keeping before the entrepreneurial training?

Yes ( ) No ( )

2. Indicate which of the following records mostly kept for which you have been trained

Records	Tick
Debtors ledger	
Creditors ledger	
Purchases ledger	
Sales ledger	
Trial balance	
Payroll	

3. Indicate the extent to which the following aspects of book keeping have impacted on your business

(Please tick as appropriate where*: 1- Very High, 2- High,3- Moderate, 4- Slightly, 5-None At All)*

STATEMENT	1	2	3	4	5
My skills in maintaining the debtors and creditors ledgers helped me in expansion endeavours					
Training in maintaining purchasers and sales ledgers increased your business's competitiveness.					
My training in maintaining of payroll improved your business' efficiency and effectiveness					
My ability of balancing the ledgers & trial balance and preparation of financial statements has improved your loan award qualifications					
My skills in maintaining the debtors and creditors ledgers helped you in expansion endeavours					

4. To what extent do Book Keeping skills affect performance micro and small business enterprises in Kenya?

   Very great extent ( ) Great extent ( )

   Moderately ( ) Low extent

   Not at all ( )

   Please explain

   …………………………………………………………………………………………………
   …………………………………………………………………………………………………
   ………………………………………………………………………………

SECTION B: BUDGETING SKILLS

5. Were you engaged in budgeting prior to the entrepreneurial training?

   Yes ( ) No ( )

Please explain your answer

……………………………………………………………………………………………………
……………………………………………………………………………………………………
…………………………………………………………………………………

6. Indicate the extent to which you agree with the following statements relating to budgeting skills

   Note: 1=strongly agree, 2=agree, 3=Neutral, 4=disagree, and 5=strongly disagree .(Tick where appropriate)

Statement	Tick one				
	1	2	3	4	5
My business prepares cash budgets regularly					
I prepare a sales budget for my business					

I prepare production budget for my business					
Budgeting is done frequently					
Employees are involved in preparation of budgets for the business					
Preparation of budgets enhances financial management					
Preparation of budgets has an impact on performance					

7. Explain how budgeting skills enhance your ability to repay loans

   …………………………………………………………………………………………………
   …………………………………………………………………………………………………
   …………………………………………………………………………………………………

SECTION D: CREDIT MANAGEMENT SKILLS

8. Did you have a credit management program for your business in place before training?

   Yes ( ) No ( )

9. To what extent do you agree with the following statements relating to credit management and loan repayment. Note: 1=strongly agree, 2=agree, 3=Neutral, 4=disagree, and 5=strongly disagree .(Tick where appropriate)

Statement	Tick one				
	1	2	3	4	5
I was trained on debt recovery skills					
Debt recovery training is important in enhancing business revenue					
I was trained on the management of credit risk					
My ability to manage credit risk has increased the business cash flow					
Communication skills are crucial in communicating with creditors					
I was trained on the methods of appraisal credit					
Credit appraisal increases the firm's revenue					
Training on credit management skills enable the firm to repay loans					

10. Does this organization experience challenge in implementing credit management policies for the purpose of improving performance micro and small business enterprises in Kenya?

    Yes ( ) No ( )

Please explain your answer

………………………………………………………………………………………………………
………………………………………………………………………………………………………

SECTION E: SAVING SKILLS

11. Did your business have a savings plan in place before training
12. Are you up to date with the saving records?

    i. Yes

    ii. No

13. In what way has training on saving skills impacted on you saving behaviour? (Tick one)

Impact	Tick one
Saving increased after the training	
Saving is more consistent after the training	
Saving decreased after the training	
Saving has not changed	

14. In a range of 1 to 5, how would you rate each of the following statement? Note: 1=strongly agree, 2=agree, 3=Neutral, 4=disagree, and 5=strongly disagree (Tick where appropriate)

Statements	**Rating**				
	1	**2**	**3**	**4**	**5**
I had a savings program in place before attending training					
Training on various savings products has enhanced my ability to repay loans					
The amount of money dedicated to savings increased after the savings skills training					
The savings skills straining has enabled me to put a target savings plan in place					

15. What assets has the business acquired as a result of the improved saving habits due to training on saving skills?. Please explain

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

Thank you for your cooperation

APPENDIX III: PLAGIARISM REPORT