Abstract: This study intends to explore the constraints facing entrepreneurs in the micro enterprises sector. Micro enterprises play a significant role in the country’s economy. Many countries in the world have realized the importance of micro and small enterprises (MSEs) and therefore are working to improve their performance and competitiveness. In Kenya, MSEs cut across all sectors of the country’s economy and provide one of the most prolific sources of employment not to mention the breeding ground for small, medium and larger industries, which are critical for industrialization today. These enterprises are found in every corner of Kenya and they have great potential for creating a variety of jobs, while generating widespread economic benefits. It is in the light of the above that the study is designed to establish the challenges facing growth of microenterprise. The study was a descriptive study and was limited to Kisii County, Kenya. Questionnaires were used for data collection and descriptive statistics were used to analyze the data obtained. In view of the findings as well as the conclusion deduced from the study some recommendations were made. Firstly, the study suggests that institutional support should be extended to the MSE sector to help build capacity of the owners/Managers as far as strategic planning is concerned. The recently created MSE Authority in Kenya should urgently provide this support as stipulated in the MSE Act of 2012. Secondly, the MSE owners/managers through their associations should encourage networking amongst its members in order to learn best practices which include developing strategic plans. The development partners in their efforts to spur entrepreneurship in Kenya should support programs that will create awareness and attitude change among entrepreneurs as to the benefits of strategic planning in business.

Keyword: Enterprises, Business Environment, Growth Of Microenterprise, Social Association, Entrepreneurial Characteristics

I. INTRODUCTION

1.1 Background of the Study
Small and medium enterprises have been known to contribute greatly in economic growth of both developed and developing countries. According to Wanjohi (2010), SMEs in employment tend to be higher in developing countries. The share of SMEs in employment tends to be higher in developing countries, which are typically more focused on small scale production. As such he noted that policy provision remains fundamental in propelling these enterprises towards self-sustenance and realization of their full potentials in contributing towards economic growth (Wanjohi, 2010). Larsen and Lewis (2008) noted that SMEs faces different barriers to survival, growth and innovation. They observed that majority of failures in SMEs performance were due to multiple factors such as undercapitalization, insufficient working capital, short term liquidity problems, insufficient startup capital and poor management. In Kenya for instance, SMEs operation cut across all sectors of the economy and sustain majority of households. The sector ranges from Agriculture, Manufacturing and financial sector just to mention but a few. These SMEs activities provide a breeding ground for business and employee and provide one of the most prolific sources of employment and economic growth in Kenya.
The concept of business growth has been defined widely. According to Attract Capital, business growth is “a stage where the business reaches the point for expansion and seeks additional options to generate more profit. Business growth is a function of the business lifecycle, industry growth trends, and the owners’ desire for equity value creation”. This definition regards business growth in terms of expansion of sales. It also acknowledges factors that influence business growth which include life cycle, industry growth trends and owners interests for value creation (Omwenga, Mukulu, & Kanali, 2013).

Another definition is provided by Business Directory which defines business growth as “the process of improving some measure of an enterprise’s success. Business growth can be achieved either by boosting the top line or revenue of business with greater product sales or services income, or by increasing the bottom line or profitability of the operation in minimizing costs.” This definition regards business growth from financial perspective. It overlook other aspects of business growth such as expansions of business structures through opening branches in other locations, improving technology and increasing number of employees.

Business growth and entrepreneurship form a crucial part of a country’s economic development process. Larger-scale businesses often contribute either by generating mass employment opportunities or by increasing the demand for higher levels of skill and education. Smaller, or rather, micro-businesses cater to similar economic outcomes, but in a very different way. For instance, these businesses act as alternative income generating activities for the low-income segment of the population. Previous studies on constraints to business growth focus either on large firms or on administrative processes (Suri, 2019). Existing studies that aim to measure and track barriers to business growth often under-represent micro-enterprises and small informal firms. This study will target a sample of small scale entrepreneurs in Kisii county because this enterprises may face a very different set of constraints to growth. This exposes a potential evidence gap in the type and nature of constraints faced by micro-enterprises.

Contextual factors play a major role in shaping the opportunities of MSEs in developing countries. Most obviously, the overall state of the economy directly influences the availability of profitable business opportunities. Growth opportunities within existing markets, as well as the prevalence of untapped, profitable market niches, wax and wane as the business cycle evolves. It is hardly a surprise, then, that MSEs tend to grow more quickly during periods of overall economic growth (Liedholm, 2002). There are, however, some important nuances in the relationship between MSE growth and the overall business cycle; the overall MSE sector expands during economic downturns due to an increase in survivalist-type activities, although individual MSEs may stagnate or contract. Further, during severe economic crises MSEs may be more resilient than their larger counterparts. Macroeconomic and relative price volatility is also an important issue, as experience has shown in Latin America and Sub-Saharan Africa (cf. Tybout, 2000; Berry, interview, 2004). The International Finance Corporation (IFC) recently conducted surveys of more than 10,000 firms in 80 countries, finding that both inflation and the exchange rate tend to afflict MSEs more than larger firms (Schiffer and Weder, 2001).

Macroeconomic trends may also affect MSEs indirectly—for example, credit constraints can limit firm capabilities, as discussed in the previous section. The regulatory and institutional environment in developing countries—notoriously burdensome when compared with developed countries—frequently hampers small enterprise growth. Econometric analyses underscore how these challenges disproportionately harm smaller enterprises (Beck, 2004). For instance, strict regulations and high taxes may keep firms small and informal (De Soto, 1989), thereby contributing to increased transaction costs from problematic property rights protection and contract enforcement. Regulatory and institutional challenges may also deter MSE owners from making growth-enabling investments. For example, import duties on capital equipment (for example, sewing machines) may disproportionately hurt MSEs. Typically, larger firms can bypass these duties by qualifying for investment promotions, and they may be preferred in allocations processes (Liedholm, 2001). In addition, special subsidies and trade protection may offer greater benefits to larger firms, who are often more capable of lobbying (Tybout, 2000). Smaller firms more frequently report government policies to be unpredictable, and this uncertainty may be yet another factor reducing growth-enabling investments (World Bank, 2005).
Ironically, government policies that actually aim to benefit MSEs may also suppress growth if they provide disincentives for employment expansion. For example, India offers attractive incentives to small enterprises, but by some accounts, these measures backfire because growth beyond a specified level entails losing valued benefits (Ndururi, Mukulu, & Omwenga, 2019). For example, the manufacture of certain products in India is reserved for small firms, which reduces incentives for firm expansion (World Bank, 2005).

1.2 Statement of the Problem

The potential contribution of small businesses to employment and income in Kenya has been generally recognized. The micro and small enterprise Sector (MSEs) or informal sector provided 78% of total employment and contributed over 57% of the new jobs created in 2005/06 according to the Economic Survey of 2007. Prior research has shown that a number of factors constraint the growth of micro businesses, especially a lack of capital or financial resources, Okpara (2007). Lack of credit has also been identified as one of the most serious constraints facing SMEs and hindering their development, Oketch (2000). Oketch et al (2002) indicates that small firms, that are limited resources may be constrained from joining any networks or having contacts, due to the costs involved in such associations. Financial constraint remains a major challenge facing SMEs in Kenya (Wanjohi, 2010). However, the degree to which limited financial resources alone are a major obstacle is still debatable.

Even though micro, small and medium enterprises create many job opportunities, studies confirm that most micro and small enterprises die within 5 years, Gallup (2014). With this challenge in mind, coupled with other challenges such as inadequate capital, poor infrastructure, inadequate knowledge and skills, limited market access and rapid changes in technology, necessary interventions are critical in supporting this sector. Training plays a significant role in contributing to performance of Micro and Small Enterprises (MSEs) success that eventually results in economic growth. A survey by the Kenya National Bureau of Statistics in the year 2016 indicated that 400,000 MSEs are dying annually all over the country and in the 47 counties. This has made the collection of revenue in Kisii County to be erratic and unpredictable. Not much is known about the challenges that face the growth of micro enterprises. The understanding of the dynamics of MSEs is therefore necessary not only for the development of support programmes for MSEs, but also for the growth of the economy as a whole. To address the need for more specific information about micro enterprises in Kenya, this study will explore characteristics of micro enterprises that make it more difficult for them to grow and assessed the particular challenges that these micro enterprises face which may be contributing to their poor performance. This study therefore seeks to establish the challenges facing the growth of micro enterprises in Kenya taking a case of Kisii town. Existing studies that aim to measure and track barriers to business growth often under-represent micro-enterprises and small informal firms. This study will target a sample of small scale entrepreneurs in Kisii county because these enterprises may face a very different set of constraints to growth. This exposes a potential evidence gap in the type and nature of constraints faced by micro-enterprises. Most studies on have focused on small and medium sized business environment. This study will thus fill the gap by examining the constraints to growth of micro enterprises in Kenya.

1.3 General Objective of the Study

The general objective of this study was to examine the constraints to effective growth transition of micro enterprises into small enterprises in Kisii town.

1.3.1 Specific objectives of the Study

The study was guided by the following specific objectives:

1. To establish the role of micro enterprises’ business environment in the growth of small enterprises in Kisii town
2. To determine the role social association of micro enterprises in the growth of small enterprises in Kisii town
3. To establish the role of micro enterprises’ characteristics in the growth of small enterprises in Kisii town
4. To investigate the effect entrepreneurial characteristics of micro enterprises owner managers in the growth of small enterprises in Kisii town

1.4 Research Hypotheses
1. There is no significant statistical effect of micro enterprises’ business environment in the effective growth transition into small enterprises in Kisii town
2. Social association of micro enterprises has no significant statistical influence in the effective growth transition into small enterprises in Kisii town
3. Micro enterprises’ characteristics has no significant statistical effect in the effective growth transition into small enterprises in Kisii town
4. There is no significant statistical effect of entrepreneurial characteristics of micro enterprises owner managers on the effective growth transition into small enterprises in Kisii town

1.5 Justification of the Study
This study was important in a number of ways: First, the study will venture into a field critical to the development of human resources. In particular, this study will focus on the development of entrepreneurs operating MSEs, whose role has been underestimated both at the local and national level, resulting in little effort being directed at developing and exploiting the inherent potential. Further, in a globalized economy, there is increasing recognition that identifying the constraints facing MSEs may be meaningful in terms of the types of interventions (finance, training, management, and technology) donors from the developed countries may provide. Second, much data regarding MSEs is still needed and thus this study served to generate information on the status of entrepreneurs operating in MSEs. The goal here is to move towards liberating entrepreneurs from their socio-cultural, psychological, economic and political handicaps through developing appropriate approaches towards eliminating the constraints affecting them.

1.6 Scope of the Study
The study was conducted in Kisii town targeting micro and small enterprise operators. The rationale of this is to unveil the number of micro enterprises who have since transited or grown into small enterprises within a period of five years

LITERATURE REVIEW

2.1 Theoretical Review
2.1.1 Self efficacy theory
Self-efficacy theory was developed by Albert Bundara. The theory states that people strive to exercise control of their lives. Ability to exercise self-control influences achievement of individual desires. Self-efficacy is composed of self-confidence, self-esteem, will power and self-control (Bundara, 1995). Moreover, a person with high self-efficacy is believed to take negative feedback in a positive manner and use the feedback to improve performance (Mohd, Kamaruddin, Hassan, Muda, & Yahya, 2014). These motivational attributes are described by McShane and Glinow (2008) as important to the entrepreneurial process because they believed that business situations are often ambiguous; hence effort, persistence, and planning are important. Since it is broader and covers multiple performance levels, it is relevant to study self-efficacy among business owners to understand their behaviours. Self- efficacy theory explains individual or personal factors that influence development in different aspects of life including business. Hence, this theory will guide the study to describe individual factors that influence growth of MSEs.

2.1.2 Resource based theory of the firm
The resource based view was developed by Jay Burney in 1991 published article titled Firm Resources and Sustained Competitive Advantage. The theory places emphasis on examining the link between firm’s internal characteristics and performance. Basically, the theory assumes that resources constitute the importance source of competitive advantage of a firm. Firm’s resources are assets and capabilities possessed by an organization. Firm’s resources constitute human resources, physical resources, information, knowledge and financial resources. These resources enable an organization to envisage and execute strategies that can facilitate improvement of performance in terms of “efficiency and effectiveness” (Kireru, Ombui, & Omwenga, 2016).

The theory is criticized for focusing on internal factors while overlooking external factors that may affect utilization of resources. Organizations are influenced by external surroundings such as political, legal, economic, social and technological forces which may affect performance (Scott, 2003). This theory will be used to guide investigation of
to investigate internal organizational factors that influence growth of Micro and Small Enterprises. Hence, the constructs for the second independent variable in the questionnaire instrument will include statements that seek to determine influence of internal organizational resources such as competent human resources, adequate finance, appropriate equipment, information and knowledge.

2.2 Conceptual Framework

2.3 Conceptual Framework

Micro Enterprises Growth Transition Constraints

<table>
<thead>
<tr>
<th>Business Environment</th>
<th>Social association</th>
<th>Enterprise characteristics</th>
<th>Individual characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Macro-economic context</td>
<td>Inter-firm linkages</td>
<td>Firm age</td>
<td>Formal education</td>
</tr>
<tr>
<td>Regulatory framework</td>
<td></td>
<td>Technology</td>
<td>Entrepreneurial training</td>
</tr>
<tr>
<td>Sector</td>
<td></td>
<td>Finance</td>
<td>Managerial training</td>
</tr>
</tbody>
</table>

Small Enterprise Growth

- Sales Volume
- Number of employees

2.4 Empirical Review

2.4.1 Environmental Factors for Business Growth

The first objective of the study is to describe environmental factors for growth of MSEs in Kisii town. Studies have shown that environmental/external factors influence business growth. A study by Tinega and Nyang’au (2018) study sought to assess the factors affecting the growth of women owned agribusiness small and micro enterprises in Bomet County in Kenya. The study has found that business growth among MSEs in Kenya is affected by social cultural factors such as control of resources, freedom of movement and family attention.

Another study by Agyapong, Mnieh and Mordi 2018 examined the factors that affect the growth of small and medium-sized enterprises (MSEs) in the context of Ghana. The study found that level of education, poor energy supply, access to external finance, competition, inflation and government policies influence the growth of MSEs in Ghana. A study by Ndege (2015) sought to identify factors that are responsible for the high rate of failure in MSEs in the Vaal Triangle region. Findings showed that viability in small and medium-sized enterprises in the Vaal Triangle area was adversely influenced by among other factors including difficulties to secure loans from micro finance institutions. Jasra, Khan, Hunjra, Rehman and Azam (2011) examined the role of key factors in the success of MSEs in Pakistan. Using a
2.4.2 Social Associations and Business Growth

According to the study globally, Social associations have led to the satisfaction of basic needs and protection by helping individual and households to meet basic needs and protected against risk hence creating chances or possibility of establishing small business leading to improved living standards among its members (ILO, 2014). 26 Studies by the World Bank (2012) in Manila among the five social association groups/cooperatives showed that those people who were registered in the Social associations and fully participated in their activities live five times better than their counterparts who had no membership in any SACCO/institution. Among the benefits associated with such individuals included: getting extra money that that they invested or deposited, being able to take care of their daily needs like buying quality food, affording decent shelter, affording better medication, paying for better education, better entertainment in member’s recreational centres and many more. Inoi et al (2010) argues that, one major contribution of Social associations or any investment plan to the lives of its members is increasing the capital base and financial empowerment of the members; a fact that is closely tied to better live and later on improved living standards (Omwenga, & Mukulu, 2015).

While studying the Role of Social associations in changing the lives of the local communities, Bwana and Mwakujonga (2013) have approached the issue by arguing that, social associations are voluntary associations where by members regularly pool their savings, and subsequently members may obtain loans which they may use for different purposes that at the end of the day will change their lives positively. Generally, the idea behind establishment of social associations in any part of the country in the world and in any sector of the economy in the world, be it, transport or agriculture is to promote savings and make credits available to the members. Social associations are the important micro financing institutions for mobilization of financial resources for various development activities, particularly in rural areas; where majority of both Kenya and Tanzania reside and earn their livelihood from and in the urban growing like Nairobi that is dominated by matatus. 27 Scholars like, Ombado (2010), Pandey (2010) and many more argue that, Co-operatives are autonomous association of persons united voluntarily to meet their common economic, social, cultural needs and aspiration through a jointly owned, democratically controlled enterprise. As mentioned above, the sole objective of these societies involves mobilization of resources from which individual cooperators may benefit. This way, these members will gain more capital bases that will steer them towards achieving better resources and living better lives in all round arts of the economy. Byrne, et al (2010) cited by Rorden & Kristofer (2013) investigated the potential for impact of social associations on members’ living standards in Ireland in the spring/summer of 2009 using an exploratory study. The collection of data was done in four separate strands that is a survey of new Sacco members, interviews with key people involved in development of credit unions/social associations, survey of credit unions and a review of printed and online publications. The findings indicated that most credit unions engaged in some form of financial education in their communities that later on empowered members to manage well their money and later live better lives. A few individual credit unions and, a few networks of credit unions, have started innovative schemes targeted at members of the community who are financially vulnerable due to low levels of financial capability. From the study it can be argued that credit unions need to retain their original goal of financial inclusion for all, especially in times of recession which are likely to create need for measures to enhance financial capability. 28 Bahizi (2015) while studying the impact of Social associations in the lives of the Rwandese people made a report. According to him, the benefits from the cooperative and saving schemes according to members has been far reaching. Since Members can form tiers within the cooperative some members without security have been able to access funds for working. This has been so because these tiers use their available deposits as security in case there is someone who defaults. Also members have managed to gain financial literacy. This has been so because when members come together they exchange ideas on money management and investment issues which expand their knowledge; a factor that saw a number of them utilize the funds well to change their living styles and standards. The education of the kids and the SACCO members’ people has not been left behind. In education sector these cooperatives do provide loans to parents who need funds to clear their children’s tuition and school.
dues and pay back when they get money (ILO, 2014). While conducting a research on the welfare of the poor disadvantaged in the parts of Pokot, Turkana, Kilifi and many more, Wanyama (2009) Social associations just like women group organisations helps the poor, the majority of whom are women, to borrow for business expansion, and to save and buy other relevant products like micro insurance. Once the women borrowed money for their small businesses, the money was used to develop them further to the point that some could Research on micro credit initiatives targeted at touts shows that improving access to credit for touts in developing countries enables them to improve their standard of living. Additional research broadens the social implications of Social associations among men and women in the transport industry as seen in Siaya for example. Anecdotal evidence that the 29 benefits of Social associations can extend beyond the purely economic it now seems to solve some crosscutting issues such as spread of HIV/AIDS and gender imbalance in Luo communities just like other parts of Kenya; Nairobi included. Poor people particularly women who engaged to prostitutions in order to get capital, touts and other conductors who could engage in illegal affairs like theft for capital etc now have access with Sacco services hence being rescued from vulnerabilities. In one way or another has led to changed lifestyles (WOCCU, 2014). Onchangwa and Memb (2012) for example explored the question “Does Sacco’s have any effect on members’ investment culture in Kenya? The study adopted descriptive research design, a population of 25,145 members of all the 8 registered Savings and Credit Cooperative Societies in Gucha district of Kenya among which were those that included the matatu people operating the Kiligoris, Ogembo and Kisii. Using a simple random sampling a sample of 379 respondents who have savings accounts in various Sacco’s were selected. The study used a questionnaire to obtain primary data while secondary data was obtained from periodicals and journals. The findings of this study indicated that Sacco’s influence the investment culture of their members and this in the long run influenced the living standards of the people. The data showed that members invested more after joining than before joining Sacco’s at 69.85 percent and their access to loans for building, medication, schooling and many more increased by 45.1%. Further findings showed that good Sacco policy framework enhanced members’ investment culture, which translated into better living standards. 30 Cheruiyot, Kimeli, and Ogendo (2012) researched on the effect of Sacco strategies on member’s savings mobilization in Nairobi, Kenya as well as the effect of intervening factor (family size, attitude, and income level) on savings mobilization. The study in its detailed report touched on the SACCO members who were in the Thika matatu Sacco and the role of Social associations in living standards touched on. The study utilized a sample of 30 Sacco’s out of 2,500 and 180 Sacco members out of 150,000 in Nairobi area, selected using simple random sampling. A questionnaire was used to collect data from respondents. Data analysis was done through a multiple linear regression model. The study found out that training requirement had an average positive influence on saving mobilization, while investment opportunities and intervening variables (like family size, children in school and income level) had a strong positive influence on saving mobilization. The study also found out that those members in the Social associations lived a better life than their counterparts who had not entered into any investment. For example, members in the Sacco who operated in the Thika matatu Sacco reported that they had increased their daily savings; they had their daily problems like food, medication, education for their kids, unnecessary debt system and many more done with. Also, employment opportunities created by the social associations changed members’ lives. Omme (2010) also argues that just like any other project, social associations should aim at improving the members’ welfare. While focusing on Dunga for example, he argues that, the project for example tends to improve the living standards and social welfare of fishermen/women in Dunga fishing Community by providing opportunity to increase fish 31 production and higher market profit through innovation of cage/ Aqua culture intervention.

2.4.3 Enterprise Characteristics and Business Growth

The second objective of the study is to determine perception of e MSEs in Kisii town on organizational factors facilitating business growth. A study by Tinega and Nyang’au (2018) study sought to assess the factors affecting the growth of women owned agribusiness small and micro enterprises in Bomet County in Kenya. The study identified organizational factors that affect business growth. Such factors include limited access to finance for startup capital and entrepreneurship training, access to information about markets. Similarly, A study by Ndege (2015) sought to identify
factors that are responsible for the high rate of failure in MSEs in the Vaal Triangle region. The study found that MSEs are affected by among other factors including lack of training opportunities, and shortage of entrepreneurial skills (Baba, Omwenga, & Mung’atu, 2018).

Another study by Woldie Leighton and Adesua (2008) analyzed the growth and decline of SMEs in five major cities in Nigeria. Result of the study revealed that SME growth is largely influenced by firm characteristics such as age of the business, sector, legal status and number of employees. A study by Jasra, Khan, Hunjra, Rehman and Azam (2011) examined the role of key factors in the success of MSEs in Pakistan. The study found that success of MSEs in Pakistan is influenced by financial resources, market strategy, technological resources, access to information and business plan.

2.4.4 Individual Characteristics for Business Growth

The first objective of the study is to identify perception of MSEs in Kisii town regarding individual factors facilitating business growth. Studies have shown that business growth is influenced by individual factors based on personal traits of the business owner. A study by (Mohd, Kamaruddin, Hassan, Muda and Yahya (2014) sought to understand the role of self-efficacy in influencing entrepreneurial orientations of small scale Malay entrepreneurs. Based on quantitative data collected from 162 entrepreneurs, the study found that self-efficacy was significantly related to entrepreneurial orientation and self-efficacy of the Malay entrepreneurs has affected innovativeness more strongly.

Another study by Sarwoko and Frisdiantara (2016) sought to determinants of growth of micro and small enterprises (MSEs) in Malang. Using a sample size of 52 MSEs, the study found that study found that growth of MSEs in Malang is influenced three sets of factors. The first one includes individual factors such as family background, education and business background.

Another study by Machado (2016) intended to identify the understandings of the phenomenon of the growth of small companies presented in the literature and the perspectives of future studies. Using a sample of 16 articles, the study found that business growth is influenced by among other factors including individual factors such as education level, business experience, attitude, motivation.

Similarly another study by Badaiwa, Radaya, Khamsa, Hamdana and Alsartawia (2019) examined perception of university students about the role of business education and entrepreneurship skills. The study involved a sample size of 668 from two universities in Arab countries including Egypt and Bahrain. The results of the study have indicated that entrepreneurship skills such as risk taking, critical thinking, problem solving skills, entrepreneurship attitude and innovation are important for business creation (Charles, & Omwenga,2018).

2.5 Research Gaps

The section reviewed a number of theories of entrepreneurship which allude to entrepreneurial behavior being influenced by several variables such as: personal characteristics, social structure, and management competencies, among others. The literature review indicates that each one of the theories of entrepreneurship on its own is deficient in providing adequate evidence on how entrepreneurs overcome the challenges they face to create and sustain growth of their enterprises over time. The review refers to a number of studies that corroborate the various constraints faced by entrepreneurs operating MSEs.

It is also clear from the literature review, that most of the studies conducted in the MSE sector have focused on factors influencing the growth and development of the enterprises. Whereas this is important, an understanding of the people who manage the enterprises is considered more critical. This is because the future sustainability of the enterprises is largely the result of personal characteristics and traits that the entrepreneurs bring into the business environment. These in effect influence the extent to which MSEs will grow into the next phases, cumulatively impacting the growth of the economy.

It is further noted that the MSE is a rapidly growing sector (e.g. in terms of number of new entrants, and overall economic contribution). This is partly attributable to the ease of entry, and also to the declining employment opportunities in the formal sector. In spite of its importance, no known studies have been conducted in the recent past on the entrepreneurs...
who operate in the sector, especially in Nakuru town. Moreover, the Kenya Government recently introduced two funds to benefit Women and the Youth interested in operating MSEs. However, no studies here reviewed addresses issues of participation of the Youth or Women or to appraise the extent to which the objectives of Youth and Women Enterprise Funds’ are being achieved. By focusing on entrepreneurs and their characteristics, the study not only builds on our knowledge of MSEs as espoused by McCormick (1996) and Baumbark (1988), but also adds value on aspects which have previously not attracted adequate attention. Nevertheless, this study is conceived with and reflects on findings of previous studies on the subject of MSEs and their impact on development (Ndururi, Mukulu, & Omwenga, 2019).

RESEARCH METHODOLOGY

3.1 Research Design
This study deployed a descriptive survey where both qualitative and quantitative data was collected in order to investigate the challenges facing micro enterprises in Kisii County. A survey was selected because it was suitable for gathering data and information on large samples and that it is cost effective. The major purpose of descriptive survey is description of the state of affairs as it exists at present.

3.2 Target Population
The target population of this study will comprise of all micro and some selected small enterprises operating in Kisii town who are estimated to be 23,748 micro enterprises operating in the trade and commerce, service, craft and manufacturing sub sectors (Kisii County; Trade and Industrialization Office, 2021).

3.3 Sampling Frame

<table>
<thead>
<tr>
<th>Sub Sector</th>
<th>Population</th>
<th>% Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and Commerce</td>
<td>9499</td>
<td>40</td>
</tr>
<tr>
<td>Service</td>
<td>8312</td>
<td>35</td>
</tr>
<tr>
<td>Craft</td>
<td>4750</td>
<td>20</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1187</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>23,748</td>
<td>100</td>
</tr>
</tbody>
</table>

3.3.1 Sampling Technique
The study applied both stratified random and purposeful sampling techniques where each micro enterprise from every stratum will be given an equal chance to be selected using random numbers, until the number making up the sample is reached. According to Mugenda & Mugenda, 1999), the goal of stratified random sampling is to achieve desired representation from various subgroups in the population. This method of sampling increases statistical efficiency and provides data to represent and analyze the subgroups.

3.3.2 Sample Size
Sample size refers to a portion of the population that is accessible, manageable, and representative of the population. Yamane (1967) sample size formula with a 95% confidence level will be used to calculate the sample size.

\[ n = \frac{N}{(1 + Ne^2)} \]

\( n = \text{Sample size} \)
\( N = \text{study population} \)
\( e = \text{Alpha level of 0.05} \)

This formula was used to calculate the sample size.

\[ n = \frac{23748}{(1 + 23748 \times 0.0025)} \]
\[ n = 23748/60.37 \]
\[ n = 393.3742 \]
\[ N = 393 \]
To cater for non-respondents, 10% of the computed sample will be added. The final sample will therefore be 393+39=432

### 3.4 Data Collection Instruments

Brace (2018) states that a questionnaire is a data collection instrument consistent with a series of questions and other prompts for purposes of gathering information from respondents. Coopar and Schindler (2014) state that the choice of data collection method is dependent on the type of study being carried out, gathering data through questionnaires is quick, inexpensive, accurate, and flexible. However, it can be problematic if poorly designed. Sekaan and Bougie (2013) argued in favor of using questionnaires in data collection due to their ease in distribution and flexibility also targeted respondents can respond to questionnaires on their own since they have clear instructions on how each segment should be responded to. Primary data was collected from respondents using structured self-constructed questionnaires. This will comprise closed-ended questions on a Likert scale of 1-5. Where 1-Strongly disagree, 2-Disagree, 3-Undecided, 4-Agree, and 5-Strongly agree.

### 3.5 Data Analysis and Presentation

Ader (2008) describes data analysis as a process of inspecting, cleansing, transforming, and modeling data to highlight useful information, suggesting conclusions, and supporting decision making. Data collected will be analyzed using descriptive and inferential statistics. Descriptive statistics will include percentages, mean and standard deviation. Simple and Multiple Regression model was used to explore the relationship between independent variables and dependent variables. Pearson correlation will be used to test the strength of the relationship between the independent variable and the dependent variable Statistical Package for Social Science (SPSS (version 25) will aid to process data.

The following Simple and Multiple regression models will be used to show the relationship between the dependent and independent variable (Y)-Small enterprise performance and independent variables; 
\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \]

Where,
\[ Y = \text{Small Enterprise} \]
\[ \beta_0 = \text{Constant} \]
\[ \beta_1 = \text{the coefficient for } X \text{ (Where } = 1, 2, 3) \]
\[ X_1 = \text{Business environment} \]
\[ X_2 = \text{Social association} \]
\[ X_3 = \text{Enterprise characteristics} \]
\[ X_4 = \text{Entrepreneurial characteristics} \]
\[ \epsilon = \text{Error item} \]
\[ \beta_1 = \text{Regression coefficient of variable } X_1 \]
\[ \beta_2 = \text{regression coefficient of variable } X_2 \]
\[ \beta_3 = \text{Regression coefficient of variable } X_3 \]
\[ \beta_4 = \text{Regression coefficient of variable } X_4 \]

**RESEARCH FINDINGS AND DISCUSSION**

### 4.1 Introduction

This section presents the results and findings of the study according to the research objectives and hypotheses. Frequencies mean and percentages were used to analyze data descriptively, while inferential statistics using regression analysis was conducted for the purpose of testing hypothesis and predicting the relationship between the dependent and independent variables.

### 4.2 Response Rate
A survey was conducted during the month of January 2022 among Women Owned Micro and Small Enterprises at Daraja Mbili Market, Kisii County- Kenya. A total of 158 structured questionnaires were distributed to the owners/managers of these enterprises. Out of the 167 questionnaires, 118 were filled and returned. This represented 71% response rate. This response rate is considered satisfactory to make conclusions for the study. Mugenda and Mugenda (2003) observed that a 50% response rate is adequate, 60% good and above 70% rated very well. The response rate of 71% is therefore very good.

The recorded high response rate can be attributed to the data collection procedure, where the researcher obtained a research permit from Daraja Mbili Jua Kali Association Office, pre-notified the potential participants of the intended survey, utilized research assistants who made follow up calls to clarify queries as well as prompt respondents to fill the questionnaires.

4.2.1 Response according to Sector
There was a hundred percent response to the questions. Majority of respondents were in the textile trade (53%), followed by other trades (20%), metal fabrication (18%) and lastly woodwork (9%).

4.2.2 Response according to position held
Most of the respondents at (82%) were enterprise owners, with only (18%) being managers.

4.2.3 Response as to form of business ownership
From the findings, majority of respondents were sole proprietors (89.8%), with businesses operating partnerships (9.3%), and cooperatives (0.8%). There was no limited liability company amongst the respondents.

4.2.4 Response as to Age of Owner/Manager
The average age of the majority of the respondents was 30-35 years (31.4%), followed by 35-40 years (28%), 25-30 years (27.1%), 20-25 years (6.8%), and those above 40 years (6.8%).
4.2.5 Response as to Age of business
From the findings, majority of the respondents indicated an average age of the business at 5-10 years (40.7%), followed by 0-5 years (36.4%), 15-20 years (14.4%), and above 20 years (8.5%).

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 yrs</td>
<td>43</td>
<td>36.4</td>
<td>36.4</td>
<td>36.4</td>
</tr>
<tr>
<td>5-10 yrs</td>
<td>48</td>
<td>40.7</td>
<td>40.7</td>
<td>77.1</td>
</tr>
<tr>
<td>15-20 yrs</td>
<td>17</td>
<td>14.4</td>
<td>14.4</td>
<td>91.5</td>
</tr>
<tr>
<td>Above 20 yrs</td>
<td>10</td>
<td>8.5</td>
<td>8.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>118</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.2.6 Response as to Education level of Respondents
The education level for the majority of the respondents was secondary (50%), followed by primary (39%), and tertiary at a paltry 11%.

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>46</td>
<td>39.0</td>
<td>39.0</td>
<td>39.0</td>
</tr>
<tr>
<td>Secondary</td>
<td>59</td>
<td>50.0</td>
<td>50.0</td>
<td>89.0</td>
</tr>
<tr>
<td>Tertiary</td>
<td>13</td>
<td>11.0</td>
<td>11.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>118</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.2.7 Response as to Professional Skills of Respondents
From the findings, only 11% of respondents had professional skills in business management, 8.5% in entrepreneurship, and 4.2% in ICT. Majority had professional skills in other areas (76.3%).

<table>
<thead>
<tr>
<th>Professional Skills</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Management</td>
<td>13</td>
<td>11.0</td>
<td>11.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td>10</td>
<td>8.5</td>
<td>8.5</td>
<td>19.5</td>
</tr>
<tr>
<td>ICT</td>
<td>5</td>
<td>4.2</td>
<td>4.2</td>
<td>23.7</td>
</tr>
<tr>
<td>Others</td>
<td>90</td>
<td>76.3</td>
<td>76.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>118</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.2.8 Response as to Number of Employees in the Enterprise
Majority of respondents had an average employee number of 0-5 at (96.6%), followed by 5-10 at (3.4%). This is a typical characteristic of a Micro Enterprise as defined in the study literature.

<table>
<thead>
<tr>
<th>Employees Category</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-25 yrs</td>
<td>8</td>
<td>6.8</td>
<td>6.8</td>
<td>6.8</td>
</tr>
<tr>
<td>25-30 yrs</td>
<td>32</td>
<td>27.1</td>
<td>27.1</td>
<td>33.9</td>
</tr>
<tr>
<td>30-35 yrs</td>
<td>37</td>
<td>31.4</td>
<td>31.4</td>
<td>65.3</td>
</tr>
<tr>
<td>35-40 yrs</td>
<td>33</td>
<td>28.0</td>
<td>28.0</td>
<td>93.2</td>
</tr>
<tr>
<td>Above 40 yrs</td>
<td>8</td>
<td>6.8</td>
<td>6.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>118</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
4.2.9 Response as to Existence of a Formal Strategic Plan

From the findings, only 18.6% of respondents had a formal strategic plan with a larger population of 81.4% having no formal strategic plans.

Table 4.9: Existence of a formal strategic plan

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>22</td>
<td>18.6</td>
<td>18.6</td>
<td>18.6</td>
</tr>
<tr>
<td>No</td>
<td>96</td>
<td>81.4</td>
<td>81.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>118</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.3 Pilot study results

The main purpose of conducting a pilot study was to detect and remedy any possible errors in questionnaire design prior to administering the main survey (Cavana, Delahaye & Sekeran 2001; Malhotra 2004; Polit, Beck & Hungler 2005) and typically, to refine and revise the questionnaire to help ensure the validity and reliability of the measures, as well as making it more user-friendly (Flynn et al. 1990). In addition, the pre-test was also used to estimate response rates for the questionnaire and determine the sample size of the main study.

Once the research instruments were finalized, they were tried out on a sample of eleven (18) respondents selected outside the study population but with similar characteristics to the actual study population. For this study, the pilot test for the instruments was carried out at Kibos market within Kisumu county-Kenya. The rule of thumb is that at least 1% of the sample should constitute the pilot test (Cooper & Schilder, 2011).

4.3.1 Reliability and validity of research instrument.

To provide a preliminary evaluation and refinement of the measurement scales of the draft questionnaire, coefficient alpha was calculated to assess the reliability of composite variables. SPSS software version 16.0 was employed to conduct these analyses. The reliability of a measure is the consistency of the results each time the same thing is measured using Coefficient (or Cronbach's) alpha (Hair et al. 2006). Coefficient alpha is “an index of the internal consistency of the items” and also “a useful estimate of reliability” (Gregory 2000). Reliability will be high if the scale items are highly correlated. As a standard of reliability, values of coefficient alpha above 0.70 are considered to represent acceptable reliability, those above 0.80 to represent good reliability, and those above 0.90 to represent excellent reliability, (Mugenda and Mugenda 2003, Hair et al. 2006). Reliability of the instrument was carried out using Cronbach’s alpha constant which is a measure of internal consistency and average correlation. The overall Cronbach's constant was 0.737 hence the instrument was reliable.

Validity refers to the accuracy and meaningfulness of inferences, which are based on research results (Mugenda and Mugenda, 2003). Validity therefore, has to do with how accurately the data obtained in the study represents the variables of the study. The study applied content/construct and face validity. Construct validity was assessed through various forms of correlation analysis from the results obtained in pilot tests.

4.4 Normality tests

4.4.1 Skewness and Kurtosis test for normality
4.4.2 Outliers test
An outlier may be described as any observation far from the rest of other observation. The presence of outlier in any given data may make the data not to assume Gaussian condition that is normality condition. It is therefore important to test the presence of outliers in any given data and even remove them for normality condition to be satisfied. In this study the outlier presence was tested using box plot and the findings were given in the table 4.11.

### Table 4.11: Outliers detected

<table>
<thead>
<tr>
<th>Variables</th>
<th>Position of observed outliers</th>
<th>Total number of outliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprises’ Business Environment</td>
<td>12,13,30,35,39,42,45,55,66,76,77,82,86,105</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>1,4,16,18,19,25,29,30,31</td>
<td>9</td>
</tr>
</tbody>
</table>

4.6 Regression Analysis
The regression analysis of the overall model determined the constraints to effective growth transition of micro enterprises into small enterprises in Kisii town.

### Table 4.12: Goodness of Fit Model Summary for constraints to effective growth transition of micro enterprises into small enterprises in Kisii town.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.452a</td>
<td>.204</td>
<td>.169</td>
<td>1.62493</td>
</tr>
</tbody>
</table>

*Predictors: (Constant), x1, x2,x3,x4,*

The significance of the model was reaffirmed by the goodness of fit tests in table 4.29 whereby the coefficient of determination (R square) of 0.204 confirmed that the model explained 20.4% of the variation or change in the dependent
The adjusted R square did not make any difference either, since the model now explained 16.9% of the variations.

Table 4.13: Coefficients- constraints to effective growth transition of micro enterprises into small enterprises in Kisii town.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>5.417</td>
</tr>
<tr>
<td></td>
<td>X1</td>
<td>-.300</td>
</tr>
<tr>
<td></td>
<td>X2</td>
<td>.065</td>
</tr>
<tr>
<td></td>
<td>X3</td>
<td>.318</td>
</tr>
<tr>
<td></td>
<td>X4</td>
<td>-.163</td>
</tr>
</tbody>
</table>

a. Dependent Variable: growth transition of micro enterprises into small enterprises in Kisii town.

The linear regression analysis presented in table 4.30 indicated that regression coefficients were significant in explaining the relationship between each of the four independent variables. It also confirmed the significant roles of the four variables in the growth of women owned Micro and Small Enterprises at daraja mbili Market, Kisii county-Kenya.

The interpretation of these results was that the contributions of the variables were two variables positive and two variables negative. That is, there was a significant relationship between Strategic planning and Growth of MSE’s.

The model can be represented as follows:

\[ Y = 5.417 - 0.300X_1 + 0.065X_2 + 0.318X_3 - 0.163X_4 \]

Where

- \( X_1 \) = Micro Enterprises’ Business Environment
- \( X_2 \) = Social Association Of Micro Enterprises
- \( X_3 \) = Micro Enterprises’ Characteristics
- \( X_4 \) = Entrepreneurial Characteristics Of Micro Enterprises Owner Managers

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The study employed a descriptive survey research design. The target population was women owned MSE’s at Daraja Mbili market who stood at 450 in number. A stratified random sampling was adopted where the enterprises were categorized in four strata: textile, metal fabrication, woodwork and other trades. A structured questionnaire was used to collecting data. Out of 167 respondents given the questionnaire 118 respondents accounting for 71% completed and returned the questionnaire. This was considered adequate response, as espoused by Mugenda and mugenda (2003). Pilot testing was done using a sample of 18 questionnaires where reliability and validity was performed. This helped improve the research instrument greatly.

5.2 Conclusion

This study provides evidence that strategic planning does matter in MSE growth. Vision is an important element of strategic management, and as shown in this study, exact formulation of the vision statement and strategy formulation can be beneficial for small firm growth. Interestingly, our findings indicate that MSE owners have a vision in their minds but
not shared amongst organizational members. This is reflected in their lack of a well stated and communicated vision, mission and value statements.

In addition to vision, environmental awareness, strategic options and planning instruments have also been shown to be crucial strategy planning drivers of small firm’s growth. We obtained also one puzzling result: about three quarter of entrepreneurs reported to not having any planning instrument. This could be linked to their educational and professional skill levels that were secondary and others respectively. It may mean that entrepreneurs recognize the importance of education for the development of their enterprises, but that the efficiency of management and entrepreneurship education may be very low.

Finally, the study provided some empirical evidence that the extent of use of strategic planning practices (such as knowledge about opportunities and threats in the market, Knowledge about own strengths and weaknesses, knowledge about institutional and regulatory environment and the orientation of all employees towards the common goal) and generic strategies (differentiation, cost leadership, and focus/niche strategy) can be predictive of small firm growth. Our findings which are that small firms tend to rely on differentiation and focus/niche business strategy more than on cost leadership strategy and innovation seem to be the result of a common characteristic of small firms, which in comparison to large firms have lesser resources and lesser opportunity and capability to compete on the basis of economies of scale.

The study has practical implications. Entrepreneurs need to be aware that strategic planning practices, processes and techniques can be beneficial for growth of the firm. In order to enable their firms to grow, entrepreneurs may like to consider exactly formulating vision and strategy, focus on growth, profit, and market; among strategic analysis techniques pay special attention to analysis of market and competition, and exactly formulate generic business strategies. All these strategic planning efforts need to be reinforced by practices that follow the key growth and market orientations, and have enterprise wide support.

5.3 Recommendations

In view of the findings as well as the conclusion deduced from the study some recommendations were made. Firstly, the study suggests that institutional support should be extended to the MSE sector to help build capacity of the owners/Managers as far as strategic planning is concerned. The recently created MSE Authority in Kenya should urgently provide this support as stipulated in the MSE Act of 2012. Secondly, the MSE owners/managers through their associations should encourage networking amongst its members in order to learn best practices which include developing strategic plans. The development partners in their efforts to spur entrepreneurship in Kenya should support programs that will create awareness and attitude change among entrepreneurs as to the benefits of strategic planning in business.

5.4 Areas of further research

The generalizability of the findings may be limited because data collection was conducted within only one market in the Kenyan economy. Therefore, cross cultural comparisons can reinforce current findings and bring new insights to future research. The focus of the study was predominantly on strategic planning, and did not include other strategic management elements, such as implementation and control issues, which would be of interest for future research. Data was collected from women owned enterprises only. Using both genders may increase reliability in future research.

REFERENCES


[23]. enterprises (MSEs): an exploratory study of owner/manager and firm characteristics.


