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THE INFLUENCE OF MARKETING AND FINANCIAL MANAGEMENT TRAINING ON PERFORMANCE OF MICRO SMALL AND MEDIUM ENTERPRISES IN NAIROBI COUNTY, KENYA

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Abstract

The Micro and Small Enterprises Authority of Kenya was established under the Micro and Small Enterprise Act Number 55 of 2012, to manage and provide support to the Micro Small and Medium Enterprises in the country. Whereas it has run various capacity building workshops targeted at the players in this sector, it has not carried out any study to find out the extent to which the various training programs they have carried out have impacted the target groups' businesses. This paper seeks to answer the question as to what effect the Training conducted by the MSEA has had on the performance of Micro, Small and Medium Enterprises in Nairobi County of Kenya. Target population of 8744 and a sample of 370 registered entrepreneurs who are members of the six targeted Jua Kali Associations spread out in Nairobi County. Findings showed financial management training and marketing training had moderate influence on performance of MSMEs with regression coefficients of 0.304 and 0.260 respectively. The study concludes that Micro and Small Enterprise Authority needs to make more effort to enhance the contribution of their training programs on performance since they were found to have low and moderate effect even though positively and with statistical significance. The study recommends the introduction of other support programmes aside from training since training only accounted for moderate percent of the influence in performance of MSMEs.

Keywords: *financial management training, micro SME*

1. Introduction and Background

The Micro Small and Medium Enterprises' (MSME) sector has been and is known to be the growth driver of economies in many countries. It is the most flourishing business sector particularly in the developing countries. The businesses in this sector have benefited the macro - economy of several developing countries through creating employment, motivating people in entrepreneurship, generating income, and providing encouragement to social and political stability. The contributions made by MSMEs in the economic development are measured by observing the rise or fall in the gross domestic product (GDP) and employment rate. This ultimately shows the economic performance of any nation. In today's world, MSMEs have contributed immensely towards the social and economic well-being of the countries. Africa is by no means left behind and therefore the MSMEs are becoming a major force of driving the economy of developing countries. According to the 2016 MSME Survey, the sector in Kenya has over the years been recognized for its role in provision of goods and services, enhancing competition, fostering innovation, generating employment and in effect, alleviation of poverty. The crucial role of MSMEs is underscored in Kenya's Vision 2030, the development blueprint which seeks to transform Kenya into an industrialized middle-income country, providing a high quality life to all its citizens by the year 2030 (GoK, 2007). The MSME sector has been identified and prioritized as a key growth driver for achievement of the development blue print. MSMEs have been recognized as an important means in the economic growth of any nation by contributing towards gross domestic product (GDP), creating jobs, reduction in poverty, generate income and facilitate nation's wealth thus resulting in national development.

2. Problem and Focus

Furthermore, the crucial role of MSMEs is underlined in Kenya’s Vision 2030, the development blueprint which seeks to transform Kenya into a “middle-income country providing a high quality life to all its citizens by the year 2030”. Among the key sectors given priority as growth drivers for achievement of Vision 2030 is the MSE sector.

The business environment in Kenya is always changing and hence firms have learnt to adapt quickly to competition and new challenges (Muthini, 2015). This might not be an easy task for the small businesses due to their small size and inadequate resources. Apart from facing competition from among other small business they also have to contend with stiff competition from large business in the market. They therefore need to put more effort in categorization, prioritization and coming up with solutions for the challenges so as to be more competitive and remain relevant in the market. The Kenyan government has continued to campaign for the development of SMEs as a platform of reducing unemployment by encouraging self-employment, poverty reduction and fostering economic growth. This government support culminated with the enactment of the Micro and Small Enterprises Act Number 55 of 2012 and the eventual set up of the Micro and Small Enterprises Authority (MSEA) to deal with issues pertaining to the sector.

It has been observed that in spite of increasing participation of Non- Governmental Organizations and other small enterprise training agencies in the Kenyan informal sector; their training programmes have had little or no impact on the change of attitude and acquisition of entrepreneurial skills to target beneficiaries. This paper discusses the findings of a study on the influence Marketing and Financial management training conducted by Micro and Small Authority in Kenya, has made to the performance of micro enterprises whose owners have benefited from this training.

3. Research Objective and Scope

This paper addresses the objectives of highlighting:

- The effect of financial Management training on the performance of Micro and Small Enterprises in Nairobi County.
- The effect of marketing training on the performance of Micro and Small Enterprises in Nairobi County.

4. Literature Review and Theoretical Foundations

4.1 Literature Review

Finance may be defined as the art and science of managing money (Paramasian and Subramanian, 2016). It includes financial services and financial instruments. Finance also is referred to as the provision of money at the time when it is needed. Finance function is the procurement of funds and their effective utilization in business concerns. The concept of finance includes capital, funds, money, and amount and hence studying and understanding the concept of finance becomes an important part of the business concern. Some of the importance of the financial management according to Paramasian and Subramanian (2016) is as follows: Financial Planning, also called budgeting, Acquisition of funds, also called Source of funds, proper use of funds as achieved through proper book keeping, Financial Decisions as achieved through relevant financial statements. Improving the firm profitability, Increasing the value of the firm, and Promotion of a savings culture.

In the GOK MSME Establishment survey of 2016 the KNBS found out that Overall, 71.9 per cent of licensed establishments reported Family/Own funds as the main source of start-up capital while 4.2 per cent of business owners got loans from family and/or friends to start their business. According to the survey results, banks finance 5.6 per cent of licensed MSMEs, Chamas 1.4 per cent and cooperatives only 0.4 per cent of MSMEs. The Government funds only 0.1 per cent of licensed MSMEs while 2.0 per cent of businesses reported other sources of capital apart from the ones listed. Getting trained on financial management hence becomes crucial in helping the

Marketing training is also a crucial aspect of business success since well- trained business owners are more likely to perform better in terms of making sound marketing decisions. Marketing involves identifying, anticipating, and satisfying customer needs. Marketing involves choosing customers; marketing involves satisfying customers at a profit. Hence training in marketing for MSMEs helps them achieve these roles much better.

Cole (2004) indicates that marketing research is fundamentally about the acquisition and analysis of information required for the marketing of marketing decisions. The two basic areas in which the information is sought are; markets, both existing and potential markets and marketing tactics and methods. Marketing training will not only enhance the marketing mix decisions of firm owners but also will help contribute to firm performance. Marketing contributes to a firm's competitive advantage since good decisions are made to target the right customers and retain them hence building on their loyalty and growth.

4.2 Theoretical Foundations

4.2.1. Experiential Learning Theory

According to Kolb and Kolb (2010), ELT integrates the works of the foundational experiential learning scholars around six propositions which they all share. These are; Learning is best conceived as a process not in terms of outcomes. All Learning is Relearning. Learning requires the resolution of conflicts between dialectically opposed modes of adaptation to the world. Learning is a holistic process of adaptation. Learning results from synergetic transactions between the person and the environment, and Learning is the process of creating Knowledge. Training is more of experiential and learners acquire knowledge through interaction with material relevant to their needs. This theory hence emphasizes this notion. Experiential Learning Theory (ELT) describes the cognitive transformation of concrete experience into abstract knowledge through contemplation. Consequently, Experiential Learning Theory emphasizes on the role that true experiences play in the learning process. It is this emphasis that distinguishes itself from other learning theories. Most materials relating to marketing management and financial management requires that trainees undertake specific tasks relating to the modules being learnt. Further the target group studied in the material for this paper were people already in business and hence most of learning related to what they do on a day to day basis hence the use of this theory to explain the effect of this learning outcome.

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4.2.2 Competitive Advantage Theory

The organizational performance targets the quality and profitability of goods and services and the return on investments, as well as the reduction of operational costs, compounding the overall performance of the company against the competition.

To sustain a competitive advantage, an organization uses its own resources and capabilities, incapable of being rapidly developed elsewhere and firmly attached to the organization that deploys or uses them. In today's competitive environment, to sustain a competitive advantage, firms need to provide value to customers which can either be cost advantage, services or differentiated strategies. This happens when firm owners identify their skill deficiency and seek to build their competencies through attending training programmes which address these gaps. A well trained workforce also builds on a firm's competitive advantage. This theory is therefore important in helping us interpret the findings of this study as to whether the trained firms have been able to be more competitive in terms their performance.

5. Methodology and Design.

A descriptive research design was adapted in this study so as to enable the researchers describe the various aspects of the study. A survey design was further used to collect views through semi- structured questionnaires from the target respondents. The paper is based on views of a population of 8744 members registered with the Micro and Small Enterprise Authority (MSEA) in Nairobi County. A sample of 370 respondents was obtained through stratified sampling and conveniently reached through snowball method.

The multiple methods were used due to the diverse nature of the target group and purposes of obtaining representative views that can be generalized.

6. Findings, Discussions, Conclusions and Recommendations

Findings showed that majority (176) respondents representing 73.6% were below 45 years of age. This shows that business owners were mature enough to understand their business and they might also have been in the business for a while. This finding also alludes to the fact that most people who venture into self- employment are reasonably youthful a fact that can be construed to mean that they are able to withstand the pressure that accompanies running a venture.

MSEA in its objectives and target groups it has underscored the need to promote the women enterprises since women and youth have been identified to be the most vulnerable when it comes to unemployment. However the findings showed that the gender representation among the studied population was reasonably low accounting for only 34.3% while the male gender accounted for 65.7%. This may be a disadvantage to the female gender since they are mostly the ones likely to benefit from this kind of training more given their vulnerability in the general population especially when it comes to unemployment. This state of affairs can however be explained by the fact that women may face time constrains in attending training programmes because of their responsibilities as home makers. It is therefore important for the MSEA team to make conscious plans to attract more females to attend their trainings so as to close the gender disparity gap.

Most (61%) of the businesses whose views are presented in this paper were aged between 1 and 10 years with very few (13%) that were beyond 15 years of age. These findings indicates that small enterprise are relatively young and hence the need for capacity building to support their owners in management skills.

6.1 Influence of Financial Management Training on MSE Performance

The findings show that there was a moderate consensus on the extent to which financial management training influenced various aspects of business performance. The mean scores for all the aspects ranged between 3.0 to 3.1 and standard deviations ranging from 0.7886 and 0.6440 which was moderate showing that there was a high consensus on the views among the respondents. The fact that most of the respondents considered their financial management skills to have improved moderately as a result of the training, is an important pointer that financial management training added value to businesses. Table 1 below gives the results of the descriptive analysis of this variable.

Table 1: Descriptive Analysis of Influence of Financial Management Training

Measurement Variable	N	Means	Standard Dev.
Financial management training influence on budget plan	239	3.0251	.73864
Financial management training Influence on sources of financial resources	239	3.0000	.78857
Financial management training influence on budget reviews	239	3.0167	.78305
Financial management training influence on business performance	239	3.1172	.64404
Valid N (list wise)	**239**		

6.2. Influence of Marketing Training on MSE Performance

Marketing management is the whole strategy that a firm uses in managing its marketing mix in the market place. Learning how to deal with marketing related issues is crucial therefore for business sustainability. Cole, (2007) indicates that marketing is central to an organization tactics. According to a study by Kithae, (2005), most respondents agreed that marketing skills learnt during training helped them solve customer complaints.

The findings show that respondents were of the opinion that the training had influenced moderately their marketing functions which included pricing, promotion, distribution and product related decisions, customer care and business growth as indicated by mean scores ranging from 3.067 to 3.24. The standard deviations of 0.993 to 0.829 indicates that there was a low consensus among the respondent on these issues. However, marketing research was rated a little bit lower than the others with a means score of 2.87 and a standard deviation of 1.04. The reasonably larger standard deviation indicates that there was variability among the respondents' views on this variable. The implication of the findings is that while MSEs could benefit from training on marketing generally, they may not adequately apply some aspects due to the challenge of their smallness. Marketing research is such an aspect that small enterprises may not really be willing or in a position to undertake given the challenges of their smallness. However the fact that they rated it slightly below average still means that they apply the skills to some extent to better the accuracy of their marketing decisions. These findings are shown in table 2 next page.

Table 2: Descriptive Statistics on Marketing Management Training

Measurement Aspects	N	Mean	Std. Deviation
Marketing Training Influence on marketing management functions	239	3.0669	.94586
Marketing Training Influence on marketing research	239	2.8703	1.03911
Marketing Training Influence on customer care	239	3.2343	.99342
N	**239**		

6.3. Micro, Small and Medium Enterprises Performance

In this section we endeavor to show the extent to which various aspects of business performance were influenced by the overall training that the participants had attended. The measurement variables were in terms of percentage increase in business growth, profitability, customer loyalty and business survival chances measured in terms of future orientation and resource allocations. These were measured on a 5 point likert scale representing the various percent levels which ranged from **1=0-10%, 2=11-20%, 3=21-30%, 4=31-40%, 5=41% and above**. The sustainability and survival aspects were measured in terms of years of planning as follows; **1=1-5 years, 2=6-10 years, 3=11-15 years, 4=16-20 years, and 5= 21 years and above**. The assumption here is that businesses that were future oriented had a higher chance of survival and sustainability as opposed to those that had no future plans for their businesses.

The findings show that the respondents perceived their overall business performance to have improved moderately after the training. This is seen in the mean score of 3.15 and a standard deviation of .704, which shows that the respondents' were reasonably in agreement about this view. As for the specific performance indicators, of profitability, business growth, customer loyalty and business sustainability, the findings show that these variables scored slightly below the moderate level. The mean scores for these variables ranged from 2.36-2.93, and standard deviations ranging from, 1.20- 0.920. This shows also that there was a high variability among responses in these dimensions. However it's important to note that the scores of all the dimensions was far above the scale mid- point of 2.5 and hence implying that they influenced the performance by at least between 20- 30% for employees and market share and customer loyalty , 21- 40 % for profitability and improved sustainability and survival in terms of between 1-15 years planning period. These findings are presented in table 3 below.

Table 3: Descriptive Statistics on MSME Performance After Training

Measurement Aspects	N	Mean	Std. Deviation
Overall Business Performance after Training	239	3.1464	.70375
Influence of Training on customer loyalty- (repeat buyers)	239	2.9331	.99353
Training influence on customer loyalty –(customer referrals)	239	2.9163	1.02557
Training influence on profitability in terms of increased sales	239	2.8117	.94941
Training influence on profitability in terms of increased income levels	239	2.7280	.94229
Training influence on business sustainability in terms of future plans	239	2.7113	1.19008
Training influence on business sustainability in terms of adequate future resource allocation	239	2.6318	1.19803
Training influence on profitability in terms of reduced costs and wastage	239	2.6276	1.02461

Training influence on business growth in terms of increased market share	239	2.6109	.91856
Training influence on business growth in terms of increased number of employees	239	2.3556	1.06662
N	**239**		

The findings gives a pointer to the point that training is crucial for the sustainability and overall profitability of business. It is therefore important that entrepreneurship development support organizations need to take into account the training component in their programmes to ensure skill development and overall sustainability and growth of the small enterprises.

Financial and marketing management training are crucial in ensuring that small enterprises are profitable and sustainable. They need to attract funds and use these funds to spur growth. This requires a budget plan. Finances alone may not guarantee success and hence the need to embrace marketing strategies to ensure the firm's products and services not only reach the target market but also customer loyalty is achieved through appropriate customer care techniques. Marketing training hence equips business owners with marketing mix variables knowledge, marketing research skills and customer care techniques. These skills contribute to building the core competencies required to run an enterprise more professionally and hence achieving competitive advantage.

6.4. Correlation Analysis

A correlation analysis identifies the relationship of individual variables and shows the strength of association between them. From the findings, the dependent and independent variables presented in this paper are strongly and positively associated at a statistical significance of 99% level of significance which is above the set level of 95% for this study.

The correlation coefficients are as follows; financial management is correlated to business performance positively with a coefficient of 0.586. This means that financial management training influences business performance positively and significantly. Therefore, business owners who undergo financial management training have high chances of improving the performance of their businesses by at least 0.586 units.

Marketing training contributed to business performance by 0.614. The implication of these findings is that training on marketing related courses, stands to improve significantly the performance of MSEs. Hence MSEA need to intensify the training programmes since they are not only perceived by participants to be useful to improving business skills, but also contribute to improved business performance. The findings also show that marketing training had the highest (0.614) correlation with business performance followed by financial management training which had a correlation of 0.586. It is therefore important to include modules of these training programmes since they have a direct impact on business performance. These findings are in agreement with the earlier analysis where marketing and financial management training were ranked highly. These findings are found in table 4 below.

Table 4: Correlation Analysis of Training and MSME Performance

Measurement Variables	**Correlations**	**Business performance**
Financial Mgt Training	Pearson Correlation	0.586**
	Sig. (2-tailed)	0.000
Marketing Training	Pearson Correlation	0.614**

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Sig. (2-tailed)	0.000

**** Correlation is significant at 0.01 level (2-tailed).** **List wise N=239**

The correlation analysis shows positive and strong association among variables of training and MSE performance. In order to show contributory power of the variables to the dependent variable a linear regression model was used. The findings showed that the variable training accounted for 48.7% of the changes in the dependent variable. This shows that firms that participated in financial and marketing management training modules have a considerable chance of improving their performance.

6.5. Multiple Regression Analysis of Variables

The unstandardized coefficients of the independent variables influence on the dependent variable shows that the performance of MSEs was influenced by all the training modules investigated. Though the findings show that the coefficients were positive and statistically significant, they were somehow weak. The coefficient for the variables are; 0.304 for financial management training and 0.260 for marketing training. This means that if one participated in only marketing training for example, the chances of improving the performance of the enterprise was by 0.260 or by 26%. The training module that shows slightly more influence on business performance is financial management with a coefficient of 0.304 or 30.4%.

These findings show that though training is important in performance of MSEs, other factors are at play and hence the need for MSEA to strategically support the MSEs under their mentorship in other aspects and not only training since it seems it is not the Major contributor to performance. Table 5 below gives these findings.

Table 5: Independent Variables Coefficients for the Multiple Regression Analysis

		Unstandardized Coefficients		standardized Coefficients		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	**(Constant)**	.007	.210		.033	.974
	Financial Management Training	.304	.084	.241	3.618	.000
	Marketing Training	.260	.064	.279	4.083	.000

Dependent Variable: Business Performance

From the findings the established regression equation is therefore as follows:

$Y=0.007+0.304X_1+0.260X_3$

These findings are in agreement with others in this line for example Mbugua, Njeru, and Ondabu, (2014). Kithae (2005) found out that most respondents agreed that training helped their businesses since they were able to make informed decisions and apply knowledge learnt for the day to day running of their enterprises. In the same study by Kithae, (2005), respondents agreed that training helped them beat competition since they were able to incorporate differentiation on their products and services. This therefore implies that training is essential as a form of capacity building for MSEs although other aspects need to be incorporated as can be seen training accounts for a reasonable margin.

7. Summary

One of the study objectives was to find out the influence of financial management training on performance of MSEs. The findings showed that financial management training influenced performance of businesses under review moderately in terms of enabling owners to prepare business budgets, review budgets and identify and select appropriate sources of funds.

Marketing is crucial to any business and hence it is important to assess how training in this line influences business performance. The findings show that this training influenced moderately and highly in terms of making marketing mix decisions of product, price, promotion and place. These decisions are important since they are the driving force of any marketing programme. Marketing training also enhanced skills in marketing research, and customer care services. The influence of marketing on training was also statistically significant.

8. Conclusions and Recommendations

Financial management training is important in controlling costs, planning and budgeting. It's important to look into the contents of this training to improve more on its effects at the MSE level.

Marketing management tended to improve performance to moderate extent and hence enhancing it stands to improve customer loyalty and market share growth. Training on the marketing mix variables is important but more need to be done on its effect on marketing research.

Business performance overall improved moderately after the training especially in terms of market share, reduction of wastage, customer loyalty and overall sustainability. Though the study found statistical significant correlation between business performance and all the study variables, there is need to strengthen other performance related factors to achieve better outcomes. This is because training contributed modestly to performance.

This study found out that training has a positive and moderate correlation with firm performance. MSEs can therefore invest more on training activities that have a direct link to their skill needs. Specifically, MSEs can get more training on financial management and marketing management.

There is need to introduce other support programmes aside from training since training only accounted for a moderate percent of the influence in performance among the trained personnel. Operations management was found to be a desirable course from the qualitative data, it's therefore important that a specific module on this aspect be designed to enhance the operations of the MSEs.

Micro and Small Enterprise Authority also need to conduct follow ups on the trainees to ensure that the skills learnt are being utilized on the business. This is especially so for the course such as business plan writing which was not found to be contributing much as well as business management training.

Overall the performance of MSEs after the training was not very much in some aspects especially in as far as sustainability and market growth was concerned. There is need to target these aspects in other training modules so that MSEs graduate to medium enterprises for future economic vibrancy.

Training on risk and external capital financing may be an area to consider since most MSEs used finances from very limited sources mostly their savings and gifts. This mode of financing may not support growth.

This study only targeted the MSE owners who were trained by Micro and Small Enterprise Authority. Other researchers can use MSE owners who have not been trained as a comparative group to have a clear picture of whether there is a difference in the performance.

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