



INFLUENCE OF FINANCIAL LITERACY ON ENTREPRENEURIAL PERFORMANCE AMONG MICRO AND SMALL ENTERPRISES IN KERICHO COUNTY, KENYA

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Abstract

Financing has been identified as a key element for micro and small enterprises to thrive in developing countries. Researchers have argued that lack of financing literacy is among the key problems for micro and small enterprises thus the need to study influence of financial literacy on their entrepreneurial performance. The study was guided by the following specific objective; to assess financial literacy of micro and small entrepreneurs and how it influences performance. The study adopted a cross sectional survey design from a population of 7277 micro and small enterprises in Kericho County. Stratified and simple random sampling was used to sample the 380 micro and small enterprises. Questionnaires were used in the data collection phase of the study. Descriptive statistics included frequencies and percentages while inferential statistics included correlation and regression analysis models with the aid of SPSS version 25. The research findings indicate that there exists a statistically significant positive causal relationship between financial literacy and entrepreneurial performance among micro and small enterprises



to credit in Kericho County. It was concluded that micro and small enterprises have not been provided forums by financial institutions where they were educated and informed on issues financing.

Keywords: Financial literacy, entrepreneurial performance, micro and small enterprises, Kenya

INTRODUCTION

In Kenya the micro and small enterprises play a vital role in growth and development of the entrepreneur and the country as a whole. Through revenue and tax, the country is able to grow economically, lives are improved and development occurs in a community. In the research paper of Awuah & Addaney (2016) small and micro-enterprises cannot acquire or absorb new technologies nor can they expand to compete in global markets or even strike business linkages with larger firms without access to financing. Borrowing is a significant source of finance for most firms.

According to the Government of Kenya, through the Microenterprise Act (GoK, 2012), a micro enterprise is a firm, trade, service, industry or a business activity which employs less than ten people and whose annual turnover does not exceed five hundred thousand shillings (GoK, 2012). The sector plays an important role in the Kenyan economy contributing about 82% of total employment and over 40% of the country's GDP (KNBS, 2013). In addition to generating employment, microenterprises increase the aggregate output, enabling the efficient use of capital and labor, initiating indigenous enterprise and management skills, bringing a regional balance, and improving the distribution of income (Gathungu & Sabana, 2018). The sector sustained the upward growth trajectory and by 2013, it accounted for the largest share of total employment in the country (KNBS, 2014).

Despite many small businesses having similar levels of financial sophistication as retail consumers, the regulatory system does not protect them to the same degree. Financial capability is low among the UK population. Often, the groups with the lowest capability are also those at most risk of financial exclusion. Policy recommendations include: better coordination for financial inclusion policies; support for teaching financial education in schools; more progressive savings incentives; basic banking to meet the needs of the most vulnerable; streamlining government support for small businesses; and specialized advice and financial education for small businesses and the self-employed (Lewis & Lindley, 2015).

Kamunge, Njeru & Tirimba (2014) found that lack of access to credit/ finance is almost universally indicated as a key problem for SMEs. Credit constraints operate in variety of ways in

Kenya where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives was not enough to enable SMEs undertake their business activities optimally. Lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance. Insufficient financing is as much a problem as lack of finance and as a result of scarcity of finance, small enterprises are unable to expand, modernize or meet urgent orders from customers.

According to Odhiambo (2013), in Kenya, strong SMEs tend to be located in urban and semi-urban centers and are usually registered. They also face a number of constraints, which include the difficulty in employing competent people with techniques in financial management because of the salaries such people would demand, financial problems arising from late payments by debtors, and inability to raise own finance and access financial services from formal sources. This category of SMEs usually looks to the banking sector and other financial intermediaries for instruments to finance working capital and to provide credit for short-term liquidity. They however, often fail to access the financial resources in the required amounts because banks evaluate them based on a checklist, including - audited financial statements for the last three years including management accounts; project proposal highlighting the strengths, weaknesses, opportunities and threats; financial projections; monitoring costs; credit or default risk because of the problem of information asymmetry; and enforcement costs.

In addition to external challenges, microenterprises in Kenya include weak financial literacy, financial access and high transaction costs (Mengich & Juma, 2013). This study was guided by the following objective and hypothesis:

To assess the influence of financial literacy on entrepreneurial performance of micro and small entrepreneurs in Kericho County, Kenya.

H₀1 Financial literacy has no significant influence on entrepreneurial performance of micro and small entrepreneurs in Kericho County, Kenya.

LITERATURE REVIEW

Micro and Small Enterprises

There is no standard definition of SME in Kenya. Lenders' definitions vary, but typically they define SMEs as businesses with six to 50 employees or with annual revenues less than 50 million Kenyan shillings. Regardless of quantitative definition, it is agreed by virtually all stakeholders in this market that SMEs in Kenya are the —missing middle. Small and Medium Enterprises (SMEs) is an important sub sector for the Kenyan economy like many other developing countries, since it employs about 85 per cent of the Kenyan workforce (about 7.5 million Kenyans of the country's total employment). The current Constitution provides a new

window of opportunity to address SMEs related issues through regulatory and institutional reforms under a new, devolved governance system as well as the (Micro and Small Enterprises Act, 2012).

The development of many economies in Africa is being aided by the presence of SMEs as they for instance create jobs for the people and payment of taxes among other responsibilities. Development of SMEs may not be possible if they is inadequate funding for the entrepreneurs and this means, there is need for a concerted effort by both private funding agencies and the government to provide enabling means for access to funding for SMEs. Most of the sub-Saharan African economies lack access to adequate funding for business startups as commercial institutions shy away and yet they are the engine economic development and what is needed is the goodwill of the stakeholders if SMEs problem of funding is to be solved in LDCs (Nuwagaba, 2015).

Financial Literacy

Financial literacy provides knowledge and understanding of financial concepts and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts and to improve the financial well-being of SMEs (Hogarth, 2002). Mutegi et al.(2015) affirms that financial literacy facilitates the decision making processes such as payment of bills on time, proper debt management which improves the credit worthiness of potential borrowers to support livelihoods, economic growth, sound financial systems, and poverty reduction. It also provides greater control of one's financial future, more effective use of financial products and services, and reduced vulnerability to overzealous retailers or fraudulent schemes.

According to the World Bank Report (2013), financial education and consumer protection are complementary, financial education must be part of consumer protection programs. A well-educated consumer should be able to understand the variety of financial products and services available in the marketplace and make appropriate use of them. This is particularly important for low-income people for whom good money management is a daily challenge.

A financially literate entrepreneur knows the most suitable financing and financial management options for his/her business at the various growth stages of his/her business; knows where to obtain the most suitable products and services and interacts with confidence with the suppliers of these products and services (USAID, 2009). Financially literate entrepreneurs manage resources more wisely; use financial information more astutely thereby improving the profitability of their enterprises (Eniola & Entebang, 2016).

Siekei, Wagoki & Kalio, (2013) conducted a study on an assessment of the role of financial literacy on performance of small and micro enterprises: Case of Equity Group Foundation training program on SMEs in Njoro District, Kenya, where it was concluded that financial literacy skills acquired through the EGF contributed a lot in enhancing performance of SMEs who were part of the program. There is also a significant improvement in revenues for SMEs whose owner managers attended the training.

According to Nyakundi, Nyamita & Tinega (2014) who conducted a study on the effect of internal control systems on financial performance of small and medium scale business enterprises in Kisumu City, Kenya, It was revealed that the level of knowledge in internal control systems significantly influence the growth in proprietors' wealth. This statement is equally true for the improvement in the SMEs profitability. The study also found out that there is a significant relationship between the level of knowledge on ICS and growth rate in revenue. In the study by Chepngetich (2016) on the effect of financial literacy and performance SMEs, evidence from Kenya, the main purpose was to determine the relationship between financial literacy and performance of small and medium enterprises in Uasin Gishu County. The study was informed by the theory of planned behavior and the findings indicated a significant effect of borrowing financial literacy and budgeting financial literacy on SME performance.

Gathungu and Sabana (2018) sought to establish the relationship between entrepreneur financial literacy, financial access, transaction costs and performance of microenterprises in Nairobi County, Kenya. A cross-section design was adopted for the study and a representative sample of 396 microenterprises was drawn. The findings of the study indicated that entrepreneur financial literacy had a statistically significant influence on enterprise performance therefore the hypothesis that financial literacy influences enterprise performance was supported. The study also established that financial literacy had a statistically significant influence on financial access therefore the hypothesis that financial literacy influences financial access was supported.

Entrepreneurial Performance

Gerba & Viswanadham (2016) conducted a study on Performance measurement of small scale enterprises found that hybrid (financial and non-financial) measures were suggested as better indicators of firm performance as it is strong enough to capture various performance approaches than single approach.

Nyanamba et al (2013) conducted a research that determined the factors which influence the capital structure among microenterprises. The objectives of the study were to identify the factors affecting capital structure of micro-enterprises, to establish the extent to

which the factors affect capital structure of micro-enterprises and to analyze the extent to which micro-enterprises have used external finances. The study concluded that the major factors that affect the capital structure of micro-enterprises are: access to capital markets, size of business, and profitability of the business and lenders' attitude towards the firm. Other factors, though less significant, include: asset structure of the micro-enterprises, lending interest rates, age of the business and attitude of the management toward risk.

Kamunge et al (2014) conducted a study that sought to establish the factors affecting the performance of small and micro enterprises (SMEs) traders at Limuru town market in Kiambu County, Kenya. The other key factors that were found to affect businesses in Limuru Town Market positively are: access to business information, access to infrastructure and government policy and regulations.

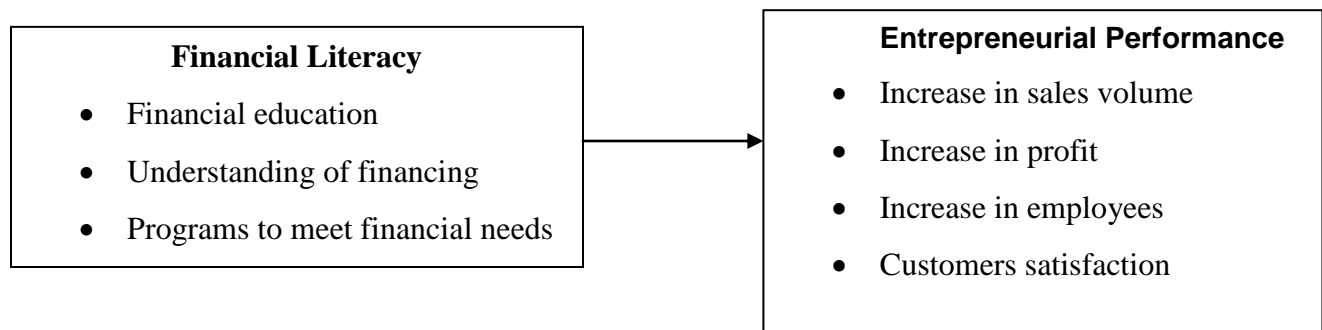


Figure 1: Conceptual Framework

METHODOLOGY

The study employed a cross sectional survey design and used questionnaires to collect data from micro and small enterprises in Kericho County, Kenya. Stratified and simple random sampling techniques were used to collect data. The population was divided into strata which included each sub county. From each sub county a sample size was calculated from the total sample size of 380 using ratios. The respondents included in the study were chosen using simple random sampling method where each respondent has an equal chance to be selected.

The study used questionnaires as the data collection instrument. The questions were in a Likert scale format and designed based on the objectives of the study.

Data was analyzed using SPSS version 25 software. Descriptive statistics such as percentages and frequencies were used to summarize data while inferential statistics such as correlation coefficient and regression analysis were used. The following regression models were used.

In the first step, the dependent variable was regressed on the independent variable

OLS equation
$$Y = \beta_0 + \beta X + \varepsilon$$

Where;

- Y - Entrepreneurial performance
- X - Independent variables
- β - Regression coefficients for the independent variable
- β_0 - Regression Constant
- ε - Stochastic error term assumed to be normally distributed

In the second step the dependent variable was regressed on the independent variables.

OLS equation
$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where;

- Y - Entrepreneurial performance
- β_0 - Regression constant or coefficient of intercept
- X_1 - Financial literacy
- β_1 - Coefficient factors for independent variables
- ε - Stochastic error term assumed to be normally distributed

ANALYSIS AND DISCUSSION OF RESULTS

Sample Adequacy Results for Financial Literacy

Kaiser-Mayer Olkin (KMO) and Bartlett's test was used to test the appropriateness of the sample from the population and the suitability of factor analysis. Further, Bartlett test of sphericity was used to test for the presence of correlations among the variables. The KMO of 0.886 was greater than 0.5 representing a perfectly adequate sample while Bartlett's test of sphericity was statistically significant ($p < 0.05$) indicating suitability of factor analysis. Table 1 presents the results.

Table 1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.886
Bartlett's Test of Sphericity	Approx. Chi-Square	1741.859
	Df	36
	Sig.	.000

Factor analysis for financial literacy

The principal component analysis extraction method was used in examining the factor loadings to see if the items in the scale loaded highly on the construct. Fixed number of factors (factors to

be extracted) was put to be 1. As shown on table 2, the factor extracted accounted for 66.033percent of the variance in the construct. The contributing power of these other factors to the explanation of the variance in the variables was considered very significant and their extraction sums of squared loadings were between the range of 5.943 and 0.120.

Table 2: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.943	66.033	66.033	5.943	66.033	66.033
2	.867	9.634	75.667			
3	.586	6.507	82.174			
4	.430	4.782	86.956			
5	.327	3.633	90.588			
6	.286	3.182	93.770			
7	.225	2.495	96.265			
8	.216	2.401	98.666			
9	.120	1.334	100.000			

Extraction Method: Principal Component Analysis.

The results on table 3 show the rotated component factor loadings for financial literacy. The factor loadings range from 0.715 to 0.852. All the nine items met the loading cut off of 0.4 and were thus retained for analysis.

Table 3: Component Matrix^a

	Component 1
My financial institution is transparent on all issues financing	.852
I am aware that the changes that take place concerning debt financing	.850
I was consulted before changes happen concerning financing from my bank	.840
My financial institution informed me and educated me on debt financing	.824
My financial institution had me in mind when implementing micro and small enterprise products	.823

My financial institution has put measures to protect me from any uncertainties especially macro changes	.830
My financial institution has programs where i am educated and informed on issues financing	.784
There is clear communication between me and my financial institution	.787
I feel that I am comfortable with my financial institution	.715

Table 3...

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Financial Literacy

Respondents were asked to indicate the extent to which they agreed with financial literacy statements. The responses were analyzed using frequencies and percentages. Table 4 presents the results of the analysis.

Table 4: Descriptive Results for Financial Literacy

Measurable indicators	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
My financial institution is transparent on all issues on financing	13 (5.3%)	38 (15.5%)	113 (46.1%)	24 (9.8%)	57 (23.3%)
I was consulted before changes happen concerning financing from my bank	60 (24.5%)	96 (39.2%)	28 (11.4%)	37 (15.1%)	24 (9.8%)
My financial institution informed me and educated me on debt financing	60 (24.5%)	101 (41.2%)	33 (13.5%)	35 (14.3%)	16 (6.5%)

My financial institution had me in mind when implementing micro and small enterprise products	36 (14.7%)	95 (38.8%)	76 (31.0%)	18 (7.3%)	20 (8.2%)
My financial institution has put measures to protect me from any uncertainties especially macro changes	28 (11.4%)	95 (38.8%)	69 (28.2%)	35 (14.3%)	18 (7.3%)
My financial institution has programs where I am educated and informed on issues financing	29 (11.8%)	86 (35.1%)	69 (28.2%)	29 (11.8%)	32 (13.1%)
There is clear communication between me and my financial institution	22 (9.0%)	33 (13.5%)	100 (40.8%)	28 (11.4%)	62 (25.3%)
I feel that I am comfortable with my financial institution	21 (8.6%)	28 (11.4%)	107 (43.7%)	29 (11.8%)	60 (24.5%)

Table 4...

On financial literacy a fair majority of the respondents 113(46.1%) showed neutrality in opinion on whether their financial institution was transparent on all issues on financing, with 81(33.1%) being agreement and 51(20.8%) of the respondents disagreeing with this statement. It was not clear on whether the respondents were aware on the changes that had taken place concerning debt financing with 106(43.3%) being in agreement and 106(43.3%) holding a neutral opinion respectively. According to most respondents 156(63.7%) they were not consulted before changes happen concerning financing from their bank while 61(24.9%) held the opinion that they were consulted by the bank. Majority of the respondents 161(65.7%) were in disagreement that their financial institution informed them and educated them on debt financing while 131(53.7%) of the respondents disagreed that their financial institution had them in mind when implementing micro and small enterprise products. According to a fair majority of the respondents 123(50.2%), their financial institution has put measures to protect them from any uncertainties especially macro changes while 69(28.2%) showed neutrality in opinion. There was disagreement among most respondents 115(46.9%) that their financial institution had programs where they were educated and informed on issues financing with 69(28.2%) of the respondents holding a neutral opinion and 61(24.9%) being in agreement. Further, most respondents 11(40.8%) held neutral opinion on whether there was clear communication between them and their financial institution with 90(36.7%) being in agreement and 55(22.5%)

disagreeing with this statement. Respondents 107(43.7%) showed neutrality in opinion on whether they felt that they were comfortable with their financial institution while 89(36.3%) were in agreement with 49(20%) of the respondents disagreeing with this statement.

Entrepreneurial Performance

Respondents were asked to indicate the extent to which they agreed with entrepreneurial performance statements. The responses were analyzed using frequencies and percentages. Table 5 presents the results of the analysis.

Table 5: Descriptive results for Entrepreneurial Performance

Measurable indicators	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I am satisfied with the profits from my enterprise	14 (5.7%)	28 (11.4%)	50 (20.4%)	72 (29.4%)	81 (33.1%)
Profits from my enterprise are above 50% on average over the past 5 years	13 (5.3%)	14 (5.7%)	45 (18.4%)	79 (32.2%)	94 (38.4%)
Profits from my enterprise has enabled my enterprise to grow over the past 5 years	18 (7.3%)	39 (15.9%)	46 (18.8%)	77 (31.4%)	65 (26.5%)
I am satisfied with the sales from my enterprise	29 (11.8%)	28 (11.4%)	58 (23.7%)	60 (24.5%)	70 (28.6%)
Sales from my enterprise are above 50% on average over the past 5 years	7 (2.9%)	21 (8.6%)	46 (18.8%)	80 (32.7%)	91 (37.1%)

Sales from my enterprise has enabled my enterprise to grow over the past 5 years	13 (5.3%)	25 (10.2%)	58 (23.7%)	92 (37.6%)	57 (23.3%)
There is increase in number of my enterprises	16 (6.5%)	15 (6.1%)	77 (31.4%)	81 (33.1%)	56 (22.9%)
My employees are productive	11 (4.5%)	25 (10.2%)	67 (27.3%)	79 (32.2%)	63 (25.7%)
My employees embrace team work collaboratively	62 (25.3%)	30 (12.2%)	10 (4.1%)	85 (34.7%)	58 (23.7%)
My customers are satisfied that their needs are met in my enterprise	21 (8.6%)	25 (10.2%)	58 (23.7%)	73 (29.8%)	68 (27.8%)

On entrepreneurial performance the results indicate that most respondents 153(62.5%) were in agreement that they were satisfied with the profits from their enterprises while 173(70.6%) of the respondents profits from their enterprises were above 50% on average over the past 5 years. In addition, a fair majority of the respondents 142(57.9%) were in agreement that profits from their enterprises had enabled their enterprise to grow over the past 5 years with 57(23.2%) of the respondents being in disagreement. Further, respondents 130(53.1%) were in agreement that they were satisfied with the sales from their enterprises while 57(23.2%) disagreed and 58(23.7%) of the respondents showed neutrality on this statement. There was agreement among a larger majority of the respondents 171(69.8%) that sales from their enterprises were above 50% on average over the past 5 years and that sales from their enterprise had enabled their enterprises to grow over the past 5 years. In addition, a fair majority of the respondents (56%) were in agreement that there was an increase in number of their enterprises with 77(31.4%) showing neutrality in opinion on this statement. Most respondents 142(57.9%) were in agreement that their employees were productive while 143(58.4%) of the respondents agreed that their employees embraced team work collaboratively. Further, there was agreement among most respondents 141(57.6%) that their customers were satisfied that their needs were being met with 58(23.7%) of the respondents holding a neutral opinion and 46(18.8%) disagreeing with this statement.

Correlation Analysis

Table 6: Correlation Matrix predictor variables and the dependent variable

			financial literacy	entrepreneurial performance	financial literacy	entrepreneurial performance
financial literacy	Pearson Correlation		.348**	.249**	.209**	1
	Sig. (2-tailed)		.000	.000	.001	.000
	N		245	245	245	245
entrepreneurial performance	Pearson Correlation		.215**	.251**	.222**	.293**
	Sig. (2-tailed)		.001	.000	.000	.000
	N		245	245	245	245

** . Correlation is significant at the 0.05 level (2-tailed).

The results show a statistically significant positive relationship between financial literacy and entrepreneurial performance ($r = 0.293$, $p < 0.05$). These results indicate that when financial literacy is enhanced, entrepreneurial performance improves among small and micro enterprises in Kericho County, Kenya. The findings of the study indicated that entrepreneur financial literacy had a statistically significant influence on enterprise performance therefore the hypothesis that financial literacy influences enterprise performance was supported.

These findings agreed with that of Cherotich et al, (2019) that revealed that high Financial knowledge has a significant positive impact on performance of women farm enterprises. Specifically, respondents with higher levels of FK were also associated with higher amounts of savings and enterprise margins. The findings are indicative of a significant effect of borrowing financial literacy and budgeting financial literacy on SME performance.

The findings were also consistent with that of Siekei et al, (2013), who found and concluded that financial literacy skills acquired through the EGF contributed a lot in enhancing performance of SMEs who were part of the program.

Test of Research Hypotheses

Influence Of Financial Literacy On Entrepreneurial Performance

The objective of the study was to assess the influence of financial literacy on entrepreneurial performance of micro and small enterprises in Kericho County, Kenya. To determine the influence, the following hypothesis was tested.

H_{04} : Financial literacy has no significant influence on entrepreneurial performance among micro and small enterprises in Kericho, Kenya.

As shown on Table 7, in model 1, the R square is 0.086 which implies that 8.6% variation in entrepreneurial performance can be explained by financial literacy. The results also indicate that this increase was statistically significant since the p value of 0.006 is less than the conventional probability value of 0.05.

Table 7: Model Summary for Financial Literacy and Entrepreneurial Performance

Model	R	R Square	Adjusted R Square	Std. Adjusted Error of the Estimate
1	.293 ^a	.086	.082	.84354

a. Predictors: (Constant), financial literacy

The results in table above indicate that the model were statistically significant. Model 1 had F-statistics of the regression ($F_{(1, 243)} = 22.894$) which was statistically significant ($p < 0.05$). This indicates that the model applied significantly predicted the change of the dependent variable as result of the predictor variable included in the model. Thus the ANOVA results in the moderated model indicate that the model was significant.

Table 8: ANOVA Results for Financial Literacy and Entrepreneurial Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.291	1	16.291	22.894	.000 ^b
	Residual	172.908	243	.712		
	Total	189.198	244			

a. Dependent Variable: entrepreneurial performance

b. Predictors: (Constant), financial literacy

Table 8 shows that in model 1, there exists a statistically significant positive relationship between financial literacy and entrepreneurial performance among micro and small enterprises in Kericho, Kenya ($\beta = 0.358$, $p < 0.05$). A beta coefficient of 0.358 implies that when financial increases by an additional unit, entrepreneurial performance increases by 0.358. This means that the null hypothesis was rejected by implying that “financial literacy has significant influence on entrepreneurial performance among micro and small enterprises in Kericho, Kenya.”

In addition, regression models were obtained where ordinary least square (OLS) model shows the relationship between variables.

OLS model: entrepreneurial performance = 2.132+ 0.358 financial credit products

Table 9: Coefficients for Financial Literacy and Entrepreneurial Performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.132	.262		8.135	.000
	financial literacy	.358	.075	.293	4.785	.000

a. Dependent Variable: entrepreneurial performance

The findings are consistent with those of Cherotich, Ayuya and Sibiko, (2019) before moderation that revealed high financial knowledge has a significant positive impact on performance of women farm enterprises. Specifically, respondents with higher levels of FK were also associated with higher amounts of savings and enterprise margins.

The findings agreed with that of Mary and Wanjira, (2018) who found that financial literacy trainings had significant and positive effect on the livelihoods of the youth as the youth realized that they had a challenge in keeping records and that their level of education contributed to the slow uptake of understanding the record keeping concepts.

Financial Literacy and Entrepreneurial Performance

The objective of the study was to assess the influence of financial literacy on entrepreneurial performance of micro and small enterprises in Kericho County, Kenya. A fair majority of the respondents showed neutrality in opinion on whether their financial institution was transparent on all issues on financing, with some being agreement and others disagreeing with this statement. It was not clear on whether the respondents were aware on the changes that had taken place concerning debt financing with a fair majority of the respondents being in agreement and a similar number holding a neutral opinion respectively.

According to most respondents they were not consulted before changes happen concerning financing from their bank while others held the opinion that they were consulted by the bank. Majority of the respondents were in disagreement that their financial institution informed them and educated them on debt financing while most of the respondents disagreed that their financial institution had them in mind when implementing micro and small enterprise products. According to a fair majority of the respondents their financial institution has put

measures to protect them from any uncertainties especially macro changes while some showed neutrality in opinion.

There was disagreement among most respondents that their financial institution had programs where they were educated and informed on issues financing with some of the respondents holding a neutral opinion and others being in agreement. Further, most respondents held neutral opinion on whether there was clear communication between them and their financial institution with a sizeable number being in agreement and others disagreeing with this statement. Most respondents showed neutrality in opinion on whether they felt that they were comfortable with their financial institution. The results show a statistically significant positive correlation between financial literacy and entrepreneurial performance. There exists a statistically significant positive relationship between financial literacy and entrepreneurial performance among micro and small enterprises in Kericho, Kenya.

CONCLUSION AND RECOMMENDATION

It was concluded that financial literacy has a significant influence on entrepreneurial performance of micro and small enterprises in Kericho County, Kenya. It was concluded that micro and small enterprises in Kericho, Kenya were not fully aware on the changes that had taken place concerning debt financing. Conclusions can be made that micro and small enterprises were not consulted before changes happened concerning financing from their bank. Financial institutions did not educate micro and small enterprises on debt financing had did not therefore have them in mind when implementing micro and small enterprises credit products. Micro and small enterprises have not been provided forums by financial institutions where they were educated and informed on issues financing. It was concluded that there was not really clear communication between micro and small enterprises and their respective financial institutions.

It was recommended that financial institutions should put measures in place to ensure that there is clear channel of communication to the customers especially micro and small enterprises on issues such as changes that take place concerning debt financing. There should also be consultations with micro and small enterprises before changes are affected that touch on the financial aspect of micro and small enterprises in Kericho, Kenya. Recommendations can also be made that micro and small enterprises should be provided with forums and workshops where they would be educated and informed on issues of financing and available opportunities.

LIMITATIONS OF THE STUDY

The study anticipated that some respondents would give incorrect and inaccurate information. They were assured that the information was beneficial to policy formulation in the country for the greater good of all micro and small enterprises. Also, it was anticipated that some respondents might be unwilling to give information due to fear that it might be used for other reasons; for example intimidation or exposing the information to their competitors. They were assured of confidentiality for any information that they may give out.

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