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**DETERMINANTS OF ORGANIZATIONAL PERFORMANCE OF MICRO AND
SMALL ENTERPRISES IN THE KAMUKUNJI AREA, NAIROBI COUNTY,
KENYA**

EDWIN MACHARIA

MBA167058

**DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION AT STRATHMORE BUSINESS SCHOOL, STRATHMORE
UNIVERSITY**

NAIROBI, KENYA

APRIL, 2025

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the research proposal contains no material previously published or written by another person except where due reference is made in the proposal itself.

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Edwin Macharia

MBA167058



Signature:

Date 4/11/2025

APPROVAL

This dissertation was reviewed and approved by

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Associate Director, Faculty Recruitment and Development- Strathmore University

Signature:


Signature:

Date: 4/4/2025

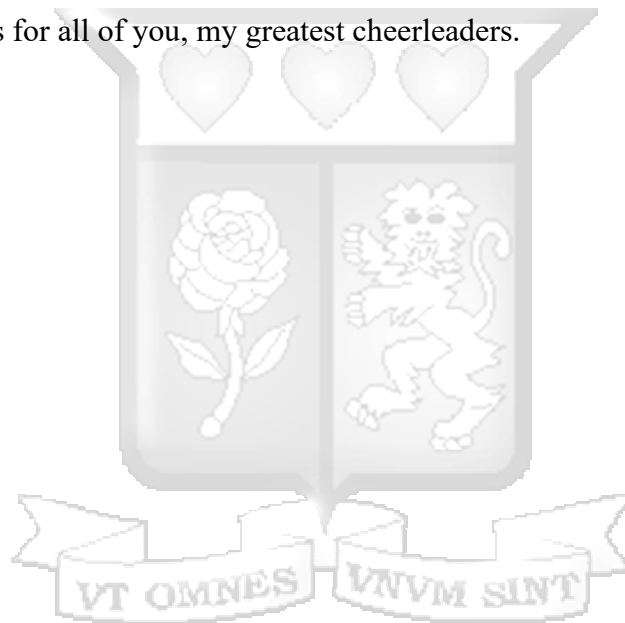
DEDICATION

To my parents, who patiently (and persistently!) reminded me to pursue my master's degree for the last 15 years, this milestone is finally yours as much as it is mine.

To my wife, Catherine, whose unwavering support, patience, and encouragement carried me through every late-night study session and moment of doubt, thank you for being my anchor.

And to my boys, Alex, Nathan, and Ethan, thank you for graciously sharing your dad's time, even when it meant fewer games and adventures. I hope this shows you that perseverance pays off.

This dissertation is for all of you, my greatest cheerleaders.



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I am deeply grateful to the many individuals whose contributions were instrumental in bringing this dissertation to fruition.

First and foremost, I extend my sincere appreciation to my supervisor, Dr. Sarah Muigai, whose unwavering support, insightful guidance, and constant encouragement shaped this research from conception to completion. Her expertise, patience, and willingness to always make time for my questions were invaluable in refining my work and keeping me motivated throughout this journey.

My heartfelt thanks go to the owners and managers of MSEs in Kamukunji who generously took time out of their demanding schedules to participate in this study. Their willingness to share their experiences and perspectives provided the foundational data that made this research possible.

I also acknowledge the dedication of my research assistants, whose meticulous efforts in data collection and fieldwork ensured the accuracy and reliability of this study. Their hard work under tight timelines was critical to the project's progress.

Finally, I am indebted to the defense panel reviewers for their constructive feedback and thoughtful critiques, which challenged me to strengthen my analysis and present a more robust final dissertation. Their input truly elevated the quality of this work.

This dissertation would not have been possible without the collective support of these individuals, and for that, I am profoundly thankful.

ABSTRACT

Micro and Small Enterprises (MSEs) are vital to Kenya's economic development, yet their performance remains weak due to persistent challenges such as limited financing, weak entrepreneurial capacity, and burdensome tax systems. This study investigated the determinants of organizational performance of MSEs in the Kamukunji area of Nairobi County, focusing on three key factors: access to finance, entrepreneurial orientation, and taxation policies. The study was grounded in the Pecking Order Theory and Dynamic Capabilities Theory, which together provide a framework for understanding how internal financial decisions and adaptive capabilities influence business outcomes. A descriptive cross-sectional research design was adopted, and data were collected from 227 MSE owners and managers using structured questionnaires. The data were analyzed using descriptive and inferential statistics, including multiple linear regression. The findings revealed that all three factors, access to finance, entrepreneurial orientation, and taxation policies, have significant positive associations with organizational performance. Among them, entrepreneurial orientation emerged as the strongest predictor. The results underscore the importance of internal capabilities and strategic behavior in driving performance, particularly in dynamic and resource-constrained environments. The study recommends that policymakers improve access to credit, simplify tax compliance procedures, and strengthen entrepreneurship development programs. MSE managers are also encouraged to enhance their financial management skills and embrace innovation and proactive strategies. These insights contribute to the broader discussion on MSE performance by offering evidence-based guidance for improving performance outcomes in urban informal economies.

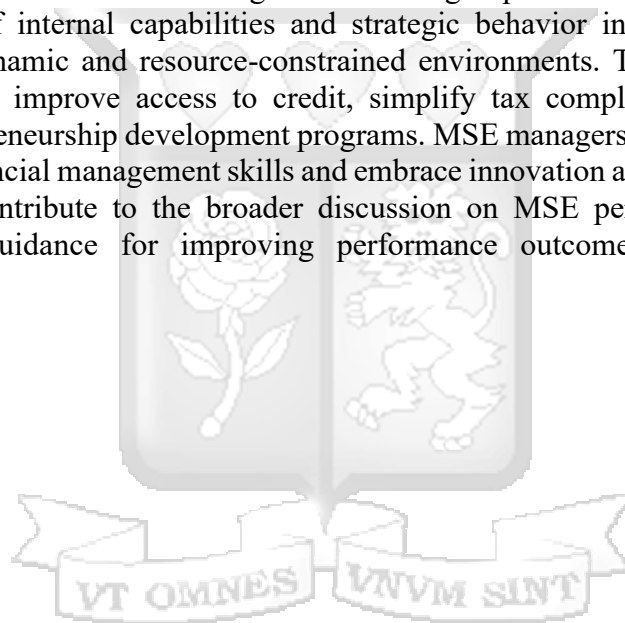


TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT.....	v
TABLE OF CONTENTS	vi
LIST OF FIGURES	x
LIST OF TABLES	xi
ACRONYMS AND ABBREVIATIONS.....	xii
DEFINITION OF KEY TERMS	xiii
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.2 Problem Statement	3
1.3 Research Objectives	5
1.3.1 Specific Objectives	5
1.4 Research Questions	6
1.5 Scope of the Study.....	6
1.6 Significance of the Study	6
1.7 Chapter Summary.....	7
CHAPTER TWO	8
LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Theoretical Review	8
2.2.1 Pecking Order Theory.....	8
2.2.2 Dynamic Capabilities Theory	9
2.3 Conceptual Literature Review.....	12
2.3.1 Organizational Performance	12
2.3.2 Determinants of Organizational Performance	13

2.3.2 Micro and Small Enterprises in Kamukunji.....	16
2.4 Empirical Literature Review	17
2.4.1 Access to Finance and Organizational Performance	17
2.4.2 Entrepreneurial Orientation and Organizational Performance	20
2.4.3 Taxation Policies and Organizational Performance.....	23
2.5 Research Gaps	25
2.6 Conceptual Framework	31
2.7 Operationalization of the Variables.....	32
2.8 Chapter Summary.....	33
CHAPTER THREE:	34
RESEARCH METHODOLOGY.....	34
3.1 Introduction	34
3.2 Research Philosophy	34
3.3 Research Design.....	34
3.4 Population of the Study	35
3.5 Sampling Design	35
3.6 Data Collection Methods.....	37
3.7 Data Analysis	37
3.8 Research Quality	38
3.8.1 Validity	38
3.8.2 Reliability.....	39
3.9 Ethical Issues in Research	39
3.10 Chapter Summary.....	40
CHAPTER FOUR.....	41
PRESENTATION OF RESULTS	41
4.1 Introduction	41
4.2 Response Rate	41
4.4 Descriptive Analysis	43

4.4.1 Access to Finance	43
4.4.2 Entrepreneurial Orientation	49
4.4.3 Taxation Policies.....	54
4.4.4 Organizational Performance	59
4.5 Inferential Analysis	64
4.5.1 Correlations.....	64
4.5.2 Multiple Regression Analysis	65
4.6 Chapter Summary.....	71
CHAPTER FIVE	72
DISCUSSION, CONCLUSION, AND RECOMMENDATIONS	72
5.1 Introduction	72
5.2 Summary of Key Findings	72
5.3 Discussion of Findings	73
5.3.1 Access to Finance and Organizational Performance	73
5.3.2 Entrepreneurial Orientation and Organizational Performance	74
5.3.3 Taxation Policies and Organizational Performance.....	76
5.4 Recommendations	78
5.4.1 Policy Recommendations.....	78
5.4.2 Managerial Recommendations.....	79
5.4.3 Theoretical Recommendations.....	79
5.5 Study Limitations	80
5.6 Suggestions for Further Research	80
5.7 Chapter Summary.....	80
REFERENCES.....	82
APPENDICES	91
Appendix I: Letter of Introduction	91
Appendix II: Participant Information and Informed Consent	92
Appendix III: Ethical Approval and NACOSTI License	97



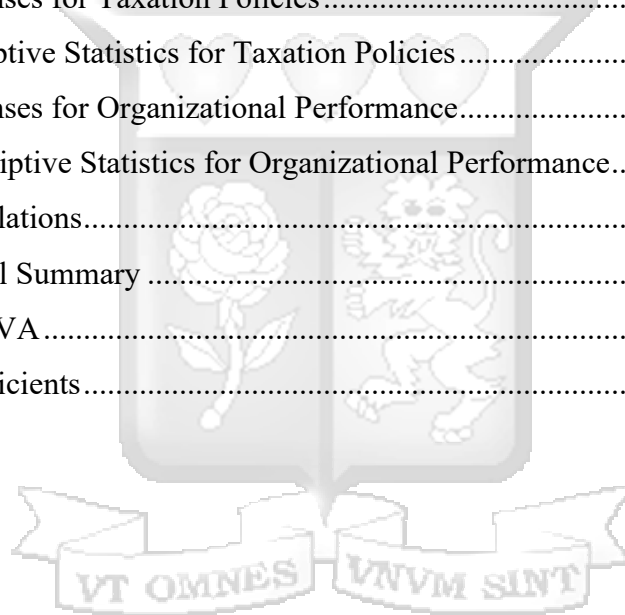
LIST OF FIGURES

Figure 2. 1:Conceptual framework	32
Figure 4. 1: Simple Scatter with Fit Line of Organizational Performance by Access to Finance.....	65
Figure 4. 2: Simple Scatter with Fit Line of Organizational Performance by Entrepreneurial Orientation	65
Figure 4. 3: Simple Scatter with Fit Line of Organizational Performance by Taxation Policies.....	66
Figure 4. 4: Normal Q-Q Plot for Access to Finance	67
Figure 4. 5: Normal Q-Q Plot for Entrepreneurial Orientation	67
Figure 4. 6: Normal Q-Q plot for Taxation Policies.....	68
Figure 4. 7: Normal Q-Q Plot for Organizational Performance	68



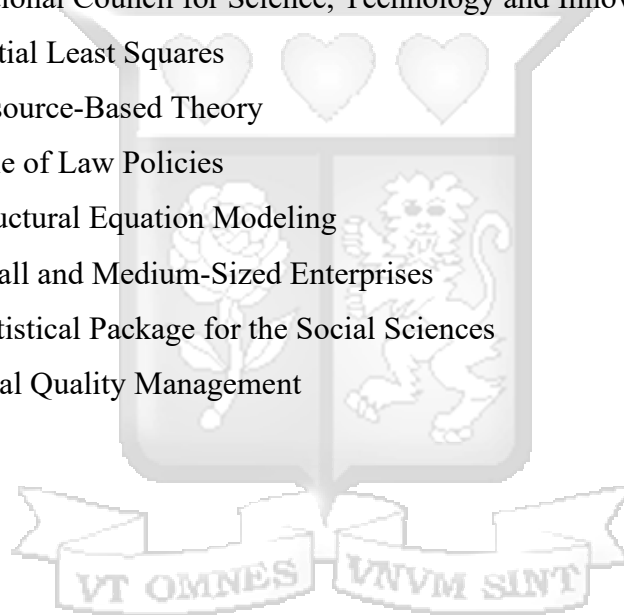
LIST OF TABLES

Table 2. 1: Summary of Literature Review and Research Gaps.....	27
Table 2. 2: Operationalization of Variables.....	32
Table 3. 1: Reliability Statistics.....	39
Table 4. 1: Response Rate.....	41
Table 4. 2: Respondents' Demographic Information.....	42
Table 4. 3: Responses for Access to Finance.....	45
Table 4. 4: Descriptive Statistics for Access to Finance.....	48
Table 4. 5: Responses for Entrepreneurial Orientation.....	50
Table 4. 6: Descriptive Statistics for Entrepreneurial Orientation.....	54
Table 4. 7: Responses for Taxation Policies.....	55
Table 4. 8: Descriptive Statistics for Taxation Policies.....	58
Table 4. 9: Responses for Organizational Performance.....	60
Table 4. 10: Descriptive Statistics for Organizational Performance.....	63
Table 4. 11: Correlations.....	64
Table 4. 12: Model Summary.....	70
Table 4. 13: ANOVA.....	70
Table 4. 14: Coefficients.....	70



ACRONYMS AND ABBREVIATIONS

CEO:	Chief Executive Officer
EO:	Entrepreneurial Orientation
EU:	European Union
FEE:	European Federation of Accountants
IPs:	Interactive Policies
ITRPs:	International Tension-Releasing Policies
KSA:	Knowledge, Skills, and Abilities
MSE:	Micro and small enterprises
MO:	Market Orientation
NACOSTI:	National Council for Science, Technology and Innovation
PLS:	Partial Least Squares
RBT:	Resource-Based Theory
RLPs:	Rule of Law Policies
SEM:	Structural Equation Modeling
SMEs:	Small and Medium-Sized Enterprises
SPSS:	Statistical Package for the Social Sciences
TQM:	Total Quality Management



DEFINITION OF KEY TERMS

Access to Finance

Access to finance refers to the ability of businesses or individuals to obtain financial resources, such as loans, credit, and investment, to support their operations, growth, and sustainability (Amadasun, & Mutezo, 2022).

Entrepreneurial Orientation

Entrepreneurial orientation refers to a firm's strategic posture characterized by innovation, proactiveness, and risk-taking in identifying and exploiting business opportunities (Gupta & Wales, 2017).

Micro and Small Enterprises (MSEs)

MSEs are typically defined by the number of employees and annual revenue. Micro-enterprises usually employ 1–10 people and generate annual revenues of up to KES 500,000, while small enterprises employ 11–50 people and earn up to KES 5 million annually (FSD Kenya, 2020).

Organizational Performance

organizational performance was defined as ability of micro and small enterprises in Kamukunji to achieve their strategic and operational objectives effectively and deliver value to customers and other stakeholders through optimal resource utilization (Otieno et al., 2023).

Taxation Policies

Taxation policies refer to the laws, regulations, and guidelines established by a government to determine how businesses are taxed, including tax rates, exemptions, compliance requirements, and enforcement mechanisms (Robb, Kim, & Lee, 2020).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Micro and Small Enterprises (MSEs) are widely recognized as vital engines of economic growth and development across the globe (Jin & Hurd, 2018). They play a significant role in job creation, poverty reduction, and income generation. In both developed and developing countries, MSEs account for the majority of business establishments and contribute substantially to Gross Domestic Product (GDP) (Ismail & Wright, 2022). According to the OECD (2022), over 90% of businesses globally fall under the category of small enterprises, and they provide more than 50% of employment opportunities worldwide (Ali et al., 2020).

However, evidence of poor performance of MSEs at the global level was provided by Herlinawati et al. (2019), who reported that these enterprises in Indonesia tend to have low levels of innovation and less developed production, which threatens their continuity. Other factors associated with poor performance of MSEs include product marketing challenges, including inadequate market knowledge, absence of technological expertise, and network awareness (Rafiah et al., 2022). Poor financial management skills, particularly in recordkeeping, can also lead to bankruptcy. Furthermore, a large number of MSEs are usually not able to separate business and personal funds (Hassan et al., 2023).

In developing regions such as Sub-Saharan Africa, MSEs form the backbone of the informal economy and are central to national development agendas (Surya et al., 2021). They absorb a significant proportion of the labor force, provide essential goods and services to underserved markets, and foster innovation and entrepreneurship (Iqbal, 2017). However, despite their economic importance, MSEs in many African countries face considerable structural and operational challenges (KNCCI, 2018). However, research by Okoli et al. (2021) highlights that challenges, such as inadequate infrastructure, limited access to financing, inconsistent government policies, insufficient support, low sales, high taxes, and outdated technologies, can result in severe failures, adversely affecting SME operations (Etuk et al., 2016). Such challenges undermine their capacity to scale operations and achieve long-term sustainability (Eniola & Ektebang, 2020).

Kenya's economy heavily relies on MSEs, particularly in the informal sector known locally as the "Jua Kali" sector. The Kenya National Bureau of Statistics (2023) reports that MSEs constitute 98% of all businesses in the country, employ over 80% of the workforce, and contribute approximately 24% of the GDP. The sector also generates over 90% of new employment annually. Despite their contribution, MSEs in Kenya face a range of persistent challenges, including high failure rates, limited market access, constrained financing options, poor financial management practices, and burdensome taxation regimes (Kaberia & Muathe, 2021; Mbogo, 2019). These problems have been further exacerbated by external shocks such as the COVID-19 pandemic, which significantly disrupted business operations and cash flows (Mnyazi & Makhamara, 2023).

The Kamukunji area in Nairobi County represents a key cluster for MSE activity, hosting hundreds of small manufacturers, traders, and service providers. The area's strategic location, high population density, and established supply chains make it a commercial hotspot for small businesses (Ismail & Wright, 2022). However, MSEs operating in Kamukunji are not immune to the broader sectoral challenges. Many of these enterprises struggle with financing constraints, inadequate entrepreneurial capacity, and the complexities of tax compliance and regulation (FSD Kenya, 2023). These challenges are reflected in high business mortality rates and low levels of performance among MSEs in the area.

While existing literature acknowledges the importance of MSEs and identifies various factors influencing their performance, most studies focus on broad national or international contexts, often using financial performance as the primary metric (Batrancea et al., 2022; Jacob, 2022; Kijkasiwat et al., 2022; Nyello & Kalufya, 2021). There is limited empirical research examining non-financial indicators of organizational performance, such as innovation, service quality, and operational efficiency, especially within informal urban economies like Kamukunji. Furthermore, few studies in the Kenyan context simultaneously explore the combined effects of access to finance, entrepreneurial orientation, and taxation policies on the performance of MSEs.

This study, therefore, seeks to address these gaps by investigating the determinants of organizational performance among MSEs in the Kamukunji area. It focuses on three key factors: access to finance, entrepreneurial orientation, and taxation policies, and how these influence non-financial performance outcomes. By narrowing down to this specific context,

the study provides insights that are both locally grounded and practically relevant for stakeholders aiming to support MSE development in Nairobi and similar urban settings.

1.2 Problem Statement

Micro and Small Enterprises are critical drivers of Kenya's economy, contributing 24% of GDP and employing 93% of the labor force (FSD Kenya, 2020). However, their performance remains poor, with high mortality rates and persistent operational challenges undermining their sustainability (Gitonga & Musamali, 2021). According to the FSD Kenya (2024), at least 60% of MSEs fail annually, and most (80%) do not survive beyond five years. Even those that endure face significant hurdles; 51% struggle with limited market access, 28.2% grapple with high supply costs, and 24.7% report credit shortages, while 24% experience cash flow disruptions (FSD Kenya, 2024). These challenges are exacerbated by systemic issues such as low formalization rates since many MSEs operate informally to avoid compliance costs, which in turn limit their access to formal finance and policy support. As a result, there is a need to explore the factors contributing to this poor performance in order to inform the formulation of targeted interventions to enhance the performance of MSEs and lessen their failure rates.

Several studies have investigated the determinants of organizational performance among MSEs, yet findings remain inconsistent and contextually varied. For instance, while Rajamani et al. (2022) and Lilondo & Kimutai (2023) found a positive link between access to finance and firm performance, others such as Kijkasiwat et al. (2022) reported no significant relationship; thus, suggesting that financial literacy and contextual factors may moderate this effect. Similarly, studies on entrepreneurial orientation (EO) have shown mixed results. Arabeche et al. (2022) and Kilungu (2021) linked EO to improved performance, but González et al. (2021) cautioned that excessive risk-taking may undermine business stability. In the area of taxation policies, studies such as Eberhartinger & Zieser (2021) and Roman et al. (2023) show that complex tax regimes suppress SME performance, yet others such as Alshira'h et al. (2020) highlight how fair tax policies can enhance growth by fostering compliance and reinvestment. These contradictory findings necessitate this study.

Conceptual gaps also exist in the literature. The definition of organizational performance varies across studies, with some focusing on financial aspects such as profitability (Mbuva & Wachira, 2019; Mozumdar et al., 2022), while others emphasize growth (Batrancea et al., 2022), survival rates (Ferruci et al., 2021), innovation (Astuti et al., 2024), organizational development (Ali et al., 2020), and customer retention (Nyello & Kalufya, 2021). Moreover, there is a lack of empirical evidence on how non-financial indicators such as innovation, operational efficiency, and service quality, which are more suitable for informal MSEs, are influenced by these three factors. These varied conceptual approaches make it difficult to compare findings across different studies.

Contextual gaps have also been found in the existing literature. prior research has been conducted in diverse settings, including Jordan (Alshira'h et al., 2020), European countries (Roman et al., 2023), Zimbabwe (Musabayana et al., 2022), Nigeria (Dosumu et al., 2020), China (Xiang et al., 2022), and Austria (Eberhartinger & Zieser, 2021). Given the distinct regulatory, cultural, and financial environments in these regions, their findings may not be directly applicable to Kenya. Locally, research tends to focus on financial measures of performance (such as revenue and profit) and often treats the determinants in isolation rather than examining their combined effects.

Furthermore, previous research has employed different methodologies, including descriptive surveys (Rajamani et al., 2022), secondary panel data analysis (Batrancea et al., 2022; Ferrucci et al., 2021), and mixed methods (Chilembo, 2021; Ndofor & Lum, 2024). These methodological differences complicate cross-study comparisons.

This study aims to fill these gaps by assessing how access to finance, entrepreneurial orientation, and taxation policies influence the non-financial organizational performance of MSEs in the Kamukunji area. By doing so, it builds upon and extends the work of scholars such as Rajamani et al. (2022), Arabeche et al. (2022), Roman et al. (2023), and Kilungu (2021), while providing context-specific insights that are directly applicable to policymakers, development agencies, and business owners in Kenya. To bridge these gaps, the present study adopted a non-financial perspective on organizational performance and utilized a descriptive cross-sectional research design to assess the factors that influence the performance of MSEs in Kamukunji area. The specific factors of interest in this study are access to finance, entrepreneurial orientation, and taxation policies.

The selection of access to finance, entrepreneurial orientation, and taxation policies as the focus of this study is informed by their theoretical grounding, practical relevance, and frequent appearance in empirical literature as key drivers of MSE performance. Access to finance is essential for business survival and growth, enabling firms to invest in operations, innovation, and expansion (González L. et al., 2021; Kijkasiwat et al., 2022). However, many MSEs in Kenya struggle to secure funding due to collateral requirements, high interest rates, and limited financial literacy (Amadasun & Mutezo, 2022). This variable aligns with the Pecking Order Theory, which emphasizes internal financing as the preferred funding source. Entrepreneurial orientation, defined by innovativeness, proactiveness, and risk-taking, influences how firms respond to market opportunities and challenges (Myers & Majluf, 1984; Sibanda et al., 2018). It is particularly critical for small enterprises operating in dynamic environments like Kamukunji and is supported by the Dynamic Capabilities Theory, which highlights the importance of internal capabilities in adapting to change (Gupta & Wales, 2017). Taxation policies, on the other hand, affect MSE performance by shaping the regulatory and cost environment (Crespi et al., 2016; Roman et al., 2023) (Crespi et al., 2016; Roman et al., 2023). While favorable tax regimes and incentives can boost growth, complex compliance procedures and high tax burdens often hinder small business operations (Roman et al., 2023). Together, these three factors represent the financial, strategic, and institutional dimensions of performance and offer a comprehensive framework for understanding the determinants of MSE success in the Kenyan context.

1.3 Research Objectives

The main objective of this study is to assess the determinants of organizational performance of MSEs in the Kamukunji area in Nairobi County

1.3.1 Specific Objectives

The following are the specific objectives of this study:

- i. To examine the effect of access to finance on the organizational performance of MSEs in the Kamukunji area in Nairobi County.
- ii. To assess the influence of entrepreneurial orientation on the organizational performance of MSEs in the Kamukunji area in Nairobi County.

- iii. To assess the effect of taxation policies on the organizational performance of MSEs in the Kamukunji area in Nairobi County.

1.4 Research Questions

The study sought to answer the following research questions:

- i. What is the effect of access to finance on the organizational performance of MSEs in the Kamukunji area in Nairobi County?
- ii. What is the influence of entrepreneurial orientation on the organizational performance of MSEs in the Kamukunji area in Nairobi County?
- iii. What is the effect of taxation policies on the organizational performance of MSEs in the Kamukunji area in Nairobi County?

1.5 Scope of the Study

The general focus of this study was to examine the determinants of the organizational performance of MSEs. The study restricted its emphasis on three main areas: access to finance, entrepreneurial orientation, and taxation policies and their influence on the organizational performance of MSEs in Kenya. Geographically, the study's primary focus was the Kamukunji area in Nairobi County. Kamukunji is located in the eastern part of Nairobi, the capital city of Kenya, and is a hub for numerous micro-enterprises specializing in various items. The study employed a descriptive research design and utilize a survey questionnaire, which was distributed to the owners and managers of the selected MSEs. Data for this study was collected during March – April 2025.

1.6 Significance of the Study

The study's results may improve policymakers' awareness of how these elements shape MSE performance, enabling them to collaborate effectively with these enterprises. Additionally, the insights gained can inform policy development within the MSE sector, guiding regulators and legislators in creating targeted policies and regulations to strengthen the sector.

This study's findings are valuable to MSE owners and managers by demonstrating how financial access, entrepreneurial orientation, and government policies influence MSE performance. This knowledge could help them develop and implement strategies to enhance

their business operations. Furthermore, a deeper understanding of these factors' effects on MSE performance in Kenya provided meaningful insights for government agencies, financial institutions, and development partners committed to supporting MSEs.

Additionally, this study contributed to the existing body of knowledge by providing deeper theoretical insights into the mechanisms influencing business performance. This advancement may serve as a valuable foundation for future research in this important field.

1.7 Chapter Summary

This chapter has presented the concepts and context of the research in the background. The objectives, statement of the problem, significance and scope of this study have also been addressed in this chapter.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter analyzes the literature pertinent to the study's objectives. It encompasses a theoretical review, an empirical review, identification of existing research gaps, the conceptual framework and operationalization of study variables.

2.2 Theoretical Review

This study was underpinned by the Pecking Order theory and the Dynamic Capabilities Theory. The following subsection discusses the postulations, critique, and application of these theories in the present study.

2.2.1 Pecking Order Theory

The Pecking Order Theory was introduced by Myers and Majluf in (1984). The theory explains how businesses prioritize their financing options based on minimizing costs and reducing information asymmetry. According to this theory, firms prefer to use internal funds (retained earnings) first before considering debt financing, and they only opt for equity financing as a last option (Pronca et al., 2014). The main reason for this hierarchy is that internal funds do not involve transaction costs or require businesses to share control; thus, making them the most preferred option (Myers & Majluf, 1984). When internal funds are insufficient, businesses turn to debt because it is generally cheaper than issuing new shares (Myers & Majluf, 1984). Equity financing is the least preferred choice because issuing new shares may lead to ownership dilution and signals financial distress to potential investors.

One of the key strengths of the Pecking Order Theory is its ability to explain how firms make financing decisions based on their level of information asymmetry (Levy, 2015). This acknowledges that businesses often avoid issuing new equity because external investors may not have full information about their operations, which can lead to undervaluation (Yıldırım & Çelik, 2021). Additionally, the theory aligns with the financing behavior of many MSEs, which typically prefer self-financing over external borrowing due to the challenges of accessing credit. Another advantage is that the theory considers transaction costs; this influences how firms choose between debt and equity (Levy, 2015). This theory has also been validated in empirical research (Yıldırım & Çelik, 2021).

Several empirical studies have applied POT in the context of small enterprise financing. For example, Ndofor and Lum (2024) examined how access to finance affected SMEs in Cameroon, finding that firms with insufficient internal funds often faced structural challenges securing credit. Batrancea et al. (2022) also utilized POT to explain credit constraints among EU-based MSEs, emphasizing firms' reluctance to seek external financing due to perceived risks and costs. These studies confirm that POT provides a relevant lens to analyze financing behavior among MSEs and its implications for organizational performance.

However, the Pecking Order Theory has some limitations. A major weakness is that it assumes all firms strictly follow a financing hierarchy without considering the fact that market conditions, investor confidence, and government policies may influence financing choices (Bushe, 2019).

Despite the above weakness, the Pecking Order Theory is particularly relevant to this study since it helps explain the role of access to finance in shaping the performance of MSE. Many MSEs struggle with financing because they lack sufficient internal funds and face difficulties accessing credit due to high interest rates, lack of collateral, and limited financial literacy (Yıldırım & Çelik, 2021). This theory also supports the analysis of entrepreneurial orientation since business owners with a strong entrepreneurial mindset may be better at navigating financing decisions within the pecking order framework (Gomes et al., 2021). Additionally, taxation policies play a critical role in determining how MSEs finance their operations. High taxes reduce retained earnings; thus, making internal financing more difficult and forcing businesses to rely on expensive external funding sources (Lilondo & Kimutai, 2023).

2.2.2 Dynamic Capabilities Theory

The Dynamic Capabilities Theory was introduced by Teece, Pisano, and Shuen (1997) to explain how firms achieve long-term success in dynamic and competitive environments. The theory builds upon the Resource-Based View (RBV) although it emphasizes that businesses must continuously develop, adapt, and reconfigure their resources to maintain a competitive advantage (Amin, 2017). As opposed to traditional perspectives that focus solely on having valuable assets, this theory highlights the importance of agility, learning, and innovation in responding to changes in the business environment.

A central proposition of the theory is that firms must engage in three key processes to sustain performance. First, they need to sense opportunities and threats by identifying shifts in market demand, financial constraints, or regulatory changes. Second, businesses must seize opportunities by acting quickly; this can involve securing financing, adapting their business models, or launching new products and services (Teece et al., 1997). Lastly, firms must reconfigure and transform their internal structures, strategies, and resources to remain competitive in the face of change (Machmud & Ahman, 2019)

The Dynamic Capabilities Theory has several strengths. It is particularly relevant in today's fast-changing business environment wherein firms must continuously adapt and innovate to survive. The theory also provides a comprehensive framework for understanding how businesses evolve by focusing on both internal factors (such as entrepreneurial orientation) and external factors (such as taxation policies and financial access).

Empirical studies such as Khan et al. (2021) and Arabeche et al. (2022) have applied DCT to explain how EO, through innovation, risk-taking, and proactiveness, enables SMEs to sense and seize market opportunities and reconfigure their operations for sustained performance. Crespi et al. (2016) further demonstrated how firms with strong dynamic capabilities adjust their operations in response to regulatory changes, including tax policy shifts. These applications show that DCT is well-suited for understanding how MSEs manage strategic and institutional challenges, such as limited financing or burdensome taxation, by leveraging internal capabilities like EO.

However, it has some limitations. The concept of dynamic capabilities is abstract and difficult to measure, and this makes empirical validation a challenge (Gupta & Wales, 2017). Additionally, the theory assumes that all firms have the ability to reconfigure resources, which may not always be the case, especially for MSEs that struggle with financial and operational constraints.

Notwithstanding the aforementioned limitations, this theory is highly relevant to the study because it helps to explain how MSEs in Kamukunji respond to financial access, taxation policies, and entrepreneurial challenges to enhance their performance. Access to finance influences how businesses can adapt and grow since firms with dynamic capabilities seek alternative funding sources such as microloans, SACCOs, or digital lending platforms when traditional credit is inaccessible (Rao et al., 2023).

Entrepreneurial orientation plays a key role in sensing opportunities and taking risks; hence, enabling MSEs to introduce innovative solutions and proactively navigate market challenges. Entrepreneurial orientation, such as being innovative, taking risks and proactiveness, can enhance the ability of SMEs to respond to changes in the market and the regulatory environment (Crespi et al., 2016). The Dynamic Capabilities Theory can enable MSEs to leverage entrepreneurial orientation by recognizing emerging trends, utilizing first-mover advantages, and adapting their business models in order to optimize their performance (Khan et al., 2021). Thus, firms with high entrepreneurial orientation are expected to perform better than those with low entrepreneurial orientation (González L. et al., 2021).

Additionally, taxation policies can impact business performance because firms with strong adaptive capabilities can develop tax compliance strategies, shift between formal and informal operations, or take advantage of government incentives (Rezaei & Ortt, 2018). Tax policies can serve as opportunities or constraints for MSEs. Firms that have strong dynamic capabilities are able to forecast tax changes through sensing, formulate effective strategies for tax management (sizing), and adapt their operations in order to optimize their tax burdens (transforming). Firms with low dynamic capabilities are likely to suffer from compliance challenges, missed incentives and excessive tax burdens; thus, negatively affecting their performance (Jacob, 2022).

Overall, this theory forms the basis of the independent variables and provides an explanatory framework for understanding how they potentially influence organizational performance. DCT offers a framework that can be used to explain how businesses manage external constraints, such as taxation, and leverage internal strengths, such as entrepreneurial orientation and access to finance.

While the DCT provides a robust lens for understanding how MSEs develop and deploy internal competencies like entrepreneurial orientation to respond to dynamic environments, it does not sufficiently address the financial behavior and capital structure decisions that often constrain small businesses (Levy, 2015). For this reason, the POT was also incorporated to complement DCT by explaining the financial prioritization choices made by MSEs. POT is particularly relevant in low-capital environments where firms prefer internal financing due to collateral limitations, high borrowing costs, and information asymmetry. DCT, on the other hand, captures how firms adapt to external pressures (like taxation policies) and leverage entrepreneurial capabilities to improve performance. By integrating both theories, the study

achieved a more holistic understanding of MSE behavior. This dual-theory approach is particularly justified in the context of MSEs, which simultaneously face internal capability gaps and external financing constraints.

2.3 Conceptual Literature Review

2.3.1 Organizational Performance

Organizational performance has been conceptualized differently by various authors. Kotane et al. (2017) defined organizational performance as the extent to which an organization is effective and efficient in utilizing its resources to achieve its goals. This view emphasizes the importance of aligning organizational activities with its objectives. For Wolff and Pett (2018), organizational performance is a multi-dimensional concept that consists of financial performance, market performance and shareholder return. Financial performance in this regard is based on financial results, such as profit margins, return on investment and revenue. Market performance refers to how the organization performs relative to others in the market using aspects like market share, brand reputation and customer acquisition, whereas shareholder return focuses on how the shares of investors grow over time (Runde et al., 2021; Bushe, 2019). Moorthy and Tan, (2019) provided a goal-oriented definition of organizational performance, which denotes the ability of the organization to effectively and efficiently accomplish its goals and objectives using available resources, such as technology, finances and people. For Levy (2015), organizational performance is the outcome of a firm's ability to utilize its resources and capabilities to create value and sustain competitive advantage. Organizational performance has also been defined as the efficiency and effectiveness of an organization's operations, in terms of quality, speed, dependability, flexibility, and cost. These definitions highlight the diverse perspectives on organizational performance, ranging from financial outcomes to non-financial measures. For this study, organizational performance was defined as the ability of micro and small enterprises in Kamukunji why? to achieve their strategic and operational objectives effectively and deliver value to customers and other stakeholders through optimal resource utilization (Otieno et al., 2023).

The measures of organizational performance also vary in the literature. Financial measures, including profitability, revenue growth, cost efficiency, return on investment and cash flow have been adopted in a number of studies (Kotane et al., 2017). Some scholars have also employed market-based indicators, including market share, sales growth, customer acquisition rate and brand reputation and recognition as measures of organizational

performance (Poi & Sorbarikor, 2022). Operational indicators, such as productivity, quality of products or services, efficiency and innovation, have also been adopted as measures of organizational performance (Hassan et al., 2023). In some studies, customer-focused indicators, such as service quality, customer loyalty, customer retention and customer satisfaction have been used to measure organizational performance (Menberu, 2018; Islam et al., 2024). Moreover, employee-oriented indicators, such as employee satisfaction, motivation and productivity have been used to operationalize performance. Other indicators of organizational performance in the literature include sustainability and social responsibility measures, such as social and environmental impact; learning and innovation, such as adoption of new skills and number of new products/services developed; and stakeholder satisfaction indicators such as partner and supplier relationships (Akinyi, 2018). For this study, the measures of organizational performance consisted of non-financial indicators, including service/product quality, innovation, and operational efficiency (Hassan et al., 2023). These non-financial measures are the most appropriate for this study due to the informal nature of many MSEs and the challenges in accessing accurate and financial data.

2.3.2 Determinants of Organizational Performance

Given the multifaceted nature of organizational performance, it is influenced by a multitude of factors, both internal and external factors. Studies have reported that internal organizational factors, such as employee engagement, leadership, management practices, level of employee skills, organizational culture, and work processes and systems, influence organizational performance (Runde et al., 2021; Bushe, 2019; Wu, 2010). High levels of employee engagement are positively correlated with organizational performance (Poi & Sorbarikor, 2022). Similarly, effective leadership styles, notably, transformational leadership approaches, have been linked to improved organizational performance (Muzenda, 2019). Moreover, research shows that organizations that invest in employee development using training programs tend to have better performance in comparison to those that do not (Ahinful, Boakye & Osei, 2023; Kimathi, 2020; Kinyua, 2020). Positive and supportive organizational cultures have also been reported to foster innovation and creativity, which are linked to organizational performance (Wakiaga, 2018). In addition, streamlined and efficient organizational processes are positively linked to productivity. Other internal factors that can potentially influence performance include financial capabilities and management practices (Kasema, 2023).

Besides internal factors, the external environment also plays a role in influencing the performance of organizations. Market conditions, technology, the regulatory and legal environment, political landscape (Bitta & Omagwa, 2022). Conditions in the market, such as competition and economic fluctuations can have a significant effect on the performance of an organization (Sigey, Omwenga & Sije, 2023). Additionally, access to new technologies can provide organizations with a competitive edge. The regulatory and legal environment can pose financial and operational burdens for organizations depending on the extent of compliance requirements (Poi & Sorbarikor, 2022).

For this study, the selected determinants that were examined are access to finance, entrepreneurial orientation, and taxation policies. Access to finance is critical for MSEs, since adequate funding enables investment in essential resources, expansion activities, and operational stability (Amadasun, & Mutezo, 2022). However, many small businesses face challenges in securing adequate financing due to stringent lending criteria and lack of collateral (Muzenda, 2019). Entrepreneurial orientation, encompassing innovation, proactiveness, and risk-taking, is also vital for MSEs to remain competitive and responsive to market changes. Firms that embrace these traits are better positioned to identify opportunities and drive growth. Taxation policies significantly impact MSEs' financial health; favorable tax regimes can enhance profitability while complex or high tax burdens may impede business operations (Gachara & Munjuri, 2018).

Access to finance refers to the ability of businesses or individuals to obtain financial resources, such as loans, credit, and investment, to support their operations, growth, and sustainability (Amadasun, & Mutezo, 2022). Tensions exist in the literature regarding the relationship between access to finance and organizational performance. One strand of literature shows the positive effects of access to finance on performance through enhancing working capital, facilitating innovation and supporting market expansion (Batrancea et al., 2022; Rajamani et al., 2022). Other studies show no significant impact of access to finance on firm performance, and further suggests that this relationship is mediated by financial literacy, the business environment and managerial capabilities (Kijkasiwat et al., 2022; Sibanda et al., 2018). Still, other studies indicate a negative effect of access to finance on organizational performance, wherein excessive access to finance can lead to inefficient resource allocation and debt overhang (Yazdanfar & Öhman, 2015). Considering these inconsistencies in the literature, this study seeks to clarify on the role that access to finance plays in organizational performance. The measures for access to finance that were used in

this research are availability of credit, interest rates on loans, collateral requirements, access to alternative financing, and loan repayment terms (Rezaei & Ortt, 2018).

Entrepreneurial orientation refers to a firm's strategic posture characterized by innovation, proactiveness, and risk-taking in identifying and exploiting business opportunities (Gupta & Wales, 2017). Inconsistencies have also been found in the existing literature with respect to the relationship between entrepreneurial orientation and organizational performance. Entrepreneurial orientation is widely recognized as a driver of organizational performance, with studies showing that innovativeness, risk-taking, and proactive strategies enhance competitiveness, adaptability, and long-term growth (Arabeche et al., 2022; Mozumdar et al., 2022). Firms that embrace entrepreneurial orientation often achieve higher performance by identifying new opportunities, improving efficiency, and gaining a competitive edge (Nyello & Kalufya, 2021). However, some researchers argue that a high level of entrepreneurial orientation can negatively impact performance; this occurs especially when excessive risk-taking leads to financial instability or when aggressive competition results in resource misallocation (González et al., 2021). Additionally, overly innovative strategies may increase operational costs without guaranteed returns; thus, potentially, straining small businesses with limited resources. Given these disagreements in the literature, this study seeks to examine how entrepreneurial orientation affects organizational performance (Vasileiou et al., 2022). The measures for entrepreneurial orientation that were used in this research are innovativeness, risk-taking ability, competitive aggressiveness, adaptability, and strategic vision (Karami et al., 2020).

Taxation policies refer to the laws, regulations, and guidelines established by a government to determine how businesses are taxed, including tax rates, exemptions, compliance requirements, and enforcement mechanisms (Robb, Kim, & Lee, 2020). There is disagreement in the literature regarding the relationship between taxation policies and organizational performance. On one hand, fair and well-structured tax policies can enhance business performance by providing essential public services, infrastructure, and a stable economic environment that supports enterprise growth (Alshira'h et al., 2020). Additionally, tax incentives and exemptions have been shown to encourage investment, innovation, and expansion (Crespi et al., 2016). On the other hand, high tax rates, complex compliance requirements, and frequent policy changes can burden businesses, reducing their profitability and limiting resources available for growth (Roman et al., 2023). Some studies suggest that excessive taxation discourages entrepreneurship and leads to tax avoidance or informal

business operations, which can negatively affect overall economic development (Eberhartinger & Zieser, 2021). Due to these conflicting perspectives, this study sought to examine the influence of taxation policies on organizational performance in the Kenyan context. For this study, the measures adopted for tax policies are tax compliance burden, availability of tax incentives, perceived fairness of taxation, effect of taxes on consumer demand, and penalties and fines for non-compliance (Mwasiaji, 2019).

2.3.2 Micro and Small Enterprises in Kamukunji

In Kenya, MSEs are typically defined by the number of employees and annual revenue. Micro-enterprises usually employ 1–10 people and generate annual revenues of up to KES 500,000, while small enterprises employ 11–50 people and earn up to KES 5 million annually (FSD Kenya, 2020). These businesses form the backbone of Nairobi's economy with over 90% of private sector enterprises classified as MSEs, contributing 24% of Kenya's GDP and employing 93% of the national labor force (FSD Kenya, 2023). In Nairobi, MSEs dominate sectors like retail, manufacturing, and services, with Kamukunji hosting an estimated registered 838 MSEs. Further justification for the choice of Kamukunji

MSEs are vital to Nairobi's economy. These enterprises provide livelihoods for millions and sustaining local supply chains. In Kamukunji, they supply affordable goods and services to low- and middle-income populations; thus, reducing urban poverty (FSD Kenya, 2020). Their contribution extends beyond economics: they foster social cohesion by creating community-centric businesses, such as neighborhood salons or food stalls. In addition, the sector's resilience is evident in its ability to absorb shocks, such as economic downturns, through informal support networks and diversified income streams (FSD Kenya, 2023).

MSEs in Kenya are regulated by the Micro and Small Enterprises Authority (MSEA), established under the Micro and Small Enterprises Act (2012). The authority promotes entrepreneurship, facilitates access to business development services, and advocates for formalization (Kenya Bankers Association, 2022). Additionally, the Kenya Micro and Small Enterprises Policy (2020) aims to create an enabling environment by improving access to finance, markets, and infrastructure, while fostering entrepreneurial skills (FSD Kenya, 2023). Despite these efforts, many MSEs in Kamukunji remain informal due to bureaucratic hurdles or a lack of incentives to formalize.

The MSE sector in Kamukunji is characterized by a mix of formal and informal operations. Formal businesses often register with authorities, lease premises, and use formal financial services, while informal enterprises rely on cash transactions, temporary structures, and family labor (FSD Kenya, 2020). A study of Nairobi's MSEs found that many adopt hybrid strategies. For example, a registered salon owner might also engage in unrecorded side businesses to diversify income (FSD Kenya, 2020). Informality is often driven by the perceived costs of compliance, limited access to resources, or the flexibility needed to navigate economic uncertainties Douglas et al., 2017.?

The performance of MSEs in Kenya is poor as evidenced by the high failure rate (FSD Kenya, 2024). At least 60% of MSEs in Kenya fail every year and a majority do not manage to reach their third anniversary (FSD Kenya, 2024). In addition, 80% of these enterprises do not reach the five-year mark. MSEs also experience operational hurdles with 51% of these enterprises struggling with limited market access, 28.2% face high supply costs, and 24.7% grapple with credit shortages (FSD Kenya, 2024). Additionally, 24% of these businesses report cash flow issues. These challenges are compounded by low formalization rates with most MSEs operating informally to avoid compliance costs (Gitonga & Musamali, 2021). Together, these statistics underscore the poor performance of MSEs as indicated by their high mortality rate and operational hurdles, which justifies the need to examine the factors contributing to this sub-optimal performance.

2.4 Empirical Literature Review

The empirical review focuses on preceding research on the study's variables. This involves researching access to finance, entrepreneurial orientation, taxation policies, and how they affect the organizational performance of MSEs.

2.4.1 Access to Finance and Organizational Performance

Access to finance refers to the ability of businesses to obtain financial resources needed for their operations, growth, and sustainability (Musabayana et al., 2022). It includes access to credit, savings, grants, and investment opportunities, which enable firms to acquire assets, expand operations, and improve efficiency (Rao et al., 2023). For MSEs, access to finance is critical because it determines their ability to invest in technology, hire skilled labor, and compete effectively in the market (Allen et al., 2021). However, many MSEs face financial

constraints due to limited collateral, high-interest rates, and stringent lending conditions imposed by financial institutions (Rao et al., 2023). As a result, their performance is often affected by the availability and affordability of financial resources

A study by Rajamani et al. (2022) examined the impact of access to finance on the performance of small and medium enterprises (SMEs) in India. The study used survey data collected from SMEs and employed regression analysis to determine the relationship between financial accessibility and business growth. The findings revealed that firms with better access to external financing experienced higher growth rates and improved profitability. The study concluded that inadequate access to credit was a major constraint to SME development in Ghana, limiting their capacity for expansion and innovation.

In Bangladesh, Chowdhury and Alam (2017) investigated the factors influencing SMEs' ability to obtain finance. In order to accomplish its goals, the study collected data from eighty-six SMEs to investigate the problems and provide policy suggestions. When seeking loans from financial institutions, SMEs in Bangladesh encounter numerous obstacles, with the most prevalent ones being the business's age and size, the owners' level of education and expertise, and credit terms that are not investment-friendly, which include high interest rates, insufficient collateral, and fraudulent bank officials.

Similarly, Batrancea et al. (2022) investigated the role of financial access in enterprise performance in the European Union. The study collected panel data spanning 16 years and employed econometric modeling. The results indicated that limited access to external finance hindered the growth of small businesses, particularly in low-income countries where financial institutions were less developed. The study emphasized the need for policy interventions to improve financial inclusion and reduce barriers to credit access for small enterprises.

Ferrucci et al. (2021) explored the effect of financial constraints on the survival and growth of new small businesses in Italy. The study used secondary data. The findings showed that lack of access to credit and inadequate financial management skills significantly reduced business survival rates. The study recommended targeted financial literacy programs and the expansion of microfinance institutions to support small businesses.

Ndofor and Lum (2024) looked at how access to finance affected SMEs in Bamenda, Cameroon. Data from 185 SMEs in Bamenda, chosen using a multistage sampling procedure, were collected and analyzed using a blended methodology (mixed methods approach)

combining qualitative and quantitative approaches. According to the study's findings, loan approval rates significantly and favorably impacted financial performance, and there was a strong association between financial success and larger loans. Research shows that financial performance tends to improve when collateral is required, and it also confirms a statistically significant correlation between credit charges and enhanced financial performance. Additionally, better financial performance is associated with larger loan amounts for SMEs. Given that credit costs have an impact on SMEs' financial performance, it is essential to consider these costs when selecting a financing option.

In Zambia, Chilembo (2021) examined factors influencing SMEs' access to finance. The study assessed how collateral requirements and interest rates impact SMEs' ability to secure financing. Using a mixed-methods approach to provide a comprehensive understanding of the research problem, the research found a positive relationship between high interest rates and the absence of collateral. SMEs should explore alternative funding options to overcome challenges in accessing traditional financial resources.

In Kenya, a study by Lilondo and Kimutai (2023) examined the relationship between microfinance services and the performance of MSEs in Nairobi. The researchers conducted a survey involving MSEs and used correlation analysis to establish the impact of microfinance loans on business success. The results indicated that access to microfinance positively influenced business growth, profitability, and job creation. The study concluded that microfinance institutions played a crucial role in bridging the financial gap for small businesses, enabling them to scale up their operations.

Mbuva and Wachira (2019) looked at how SMEs processing businesses in Kitui County fared financially regarding access to financing. This study employed a descriptive research strategy. 75 respondents were drawn from the 25 SMEs in Kitui County, which were part of the targeted population. The study observed that having access to financing was positively connected with financial performance.

The empirical studies reviewed reinforce the relevance of Pecking Order Theory in explaining the financing behavior of MSEs. For instance, the findings by Rajamani et al. (2022) and Ndofor and Lum (2024) show that MSEs often struggle to secure external financing due to high credit costs and stringent collateral demands; thus, pushing them to rely primarily on internal sources of capital. This supports the POT's assertion that businesses prioritize internal financing due to lower transaction costs and information asymmetry.

Moreover, Batrancea et al. (2022) highlighted that in low-income EU countries, firms with weak financial records were constrained from accessing formal credit, which is a real-world manifestation of the POT hierarchy. These empirical insights validate the applicability of POT in understanding how financing constraints influence the performance of MSEs.

2.4.2 Entrepreneurial Orientation and Organizational Performance

Entrepreneurial Orientation (EO) refers to a firm's strategic posture that reflects its willingness to innovate, take risks, and proactively seek new opportunities (Berisha & Pula, 2015). It is commonly defined through three key dimensions. The first dimension is innovativeness, which involves the pursuit of creative solutions and new product development. The second dimension is risk-taking, which entails making bold investments despite uncertainties. The third dimension is proactiveness – this focuses on anticipating and acting on future market trends. Businesses with a strong EO tend to be more adaptable, competitive, and growth-oriented (Kivuitu & Karugu, 2020). For micro and small enterprises (MSEs), adopting an entrepreneurial orientation can enhance their resilience, improve decision-making, and boost overall performance in highly dynamic markets (Shepherd et al., 2019).

In Indonesia, Astuti et al. (2024) studied the effects of innovation and entrepreneurial orientation (EO) on the success of SMEs. A total of 352 SME owners in Indonesia were surveyed online for the study. The results showed that while all aspects of personal entrepreneurial orientation help create this construct, the only one that most clearly separates both gender entrepreneurs is the risk-taking aspect. Compared to women, male entrepreneurs are more risk-taking. Additionally, performance mediated by innovation is impacted by individual entrepreneurial attitudes, and the effect is the same for male and female entrepreneurs.

In Saudi Arabia, Ali et al. (2020) aimed to explore the combined impact of market orientation (MO), total quality management (TQM), entrepreneurial orientation (EO), and organizational performance in knowledge, skills, and abilities (KSA) SMEs. A quantitative research design was used in this study. Three hundred ninety-three questionnaires were sent and collected from SME owners and managers to get the necessary data for testing the study's hypothesized model. According to the data, the organizational performance of SMEs is positively and strongly correlated with EO, MO, and TQM. Furthermore, the results show that TQM, EO,

and MO have significantly improved organizational development, with TQM having the most impact.

In Nigeria, Aliyu et al. (2022) determined how entrepreneurial orientation affected the performance of SMEs. Resource Based Theory served as the foundation for this study. The Data was collected through the multi-stage sampling technique from 326 owner-managers of SMEs in northeastern Nigeria. The findings showed that an individual's entrepreneurial orientation dramatically improves the SME performance, and that educational attainment had no discernible moderating influence on this relationship. The report concluded by recommending that SME owner-managers undergo training and orientation to enhance their entrepreneurial skills and, by extension, the performance of their businesses.

A study by Arabeche et al. (2022) explored the relationship between EO and firm performance in the Algerian SMEs. The researchers conducted a survey of SMEs and applied structural equation modeling to analyze the data. The findings indicated that EO positively influenced firm performance, particularly in competitive environments. However, the study also found that different dimensions of EO had varying effects, with proactiveness and innovativeness being stronger predictors of success than risk-taking (Arabeche et al., 2022).

Similarly, Khan et al. (2021) examined the impact of EO on the growth of small businesses in Pakistan. Using survey data from SMEs, the study employed structural equation modelling to determine the effects of EO on sales and profitability. The results showed that firms with a high degree of entrepreneurial orientation experienced significant business growth over time. The study also highlighted that access to financial resources moderated the relationship between EO and performance, suggesting that firms with greater financial flexibility could maximize the benefits of an entrepreneurial strategy (Khan et al., 2021).

A study by Gomes et al. (2021) examined the relationship between EO and organizational performance in Brazil. The study utilized survey data from SMEs and applied factor analysis and regression techniques. The findings demonstrated that firms that actively engaged in innovation, proactive market strategies, and calculated risk-taking outperformed their competitors. The study further noted that the external environment, including government policies and market competition, influenced how EO translated into performance gains.

In Tanzania, a study by Nyello and Kalufya (2021) assessed how EO affects the performance of SMEs. The researchers used a survey approach and structural equation modelling. The

findings revealed that businesses that embraced innovation, took strategic risks, and engaged in proactive decision-making had higher sales volumes and customer retention rates. The study concluded that EO played a critical role in sustaining SME growth and competitiveness, particularly in fast-changing industries.

Another relevant study by Mozumdar et al. (2022) investigated the impact of EO on women-owned enterprises in Bangladesh. The study employed a qualitative and collected data from women entrepreneurs using interviews. The results indicated that EO significantly influenced business success, with proactive and innovative strategies leading to better financial performance. However, the study also found that risk aversion was common among women entrepreneurs, limiting their ability to fully capitalize on new opportunities. The researchers recommended targeted training programs to encourage calculated risk-taking among women-led enterprises.

Kilungu (2021) surveyed to examine the effect of entrepreneurial orientation (EO) on the performance of SMEs in Nairobi County. The study was focused on evaluating the influence of proactivity on SME growth and assessing the impact of innovation and examining the role of risk-taking. The study utilized a cross-sectional descriptive research approach, focused on a population of 2,300 small enterprises. The findings revealed that entrepreneurial orientation (EO) serves as a strong predictor of business success, with all its components, proactivity, innovation, and risk-taking, positively correlating with SME performance. This underscores the potential of these strategies to foster economic growth for SMEs in Kenya, while also enabling business owners to make informed decisions and optimize resource allocation. The researcher concluded that, in order to improve business performance, SMEs should embrace the aspects of EO.

The empirical findings on entrepreneurial orientation are closely aligned with the propositions of the Dynamic Capabilities Theory. Studies by Arabeche et al. (2022) and Khan et al. (2021) demonstrate that EO, particularly innovativeness and proactiveness, enables firms to adapt to changing environments and maintain competitive advantage. This supports DCT's emphasis on sensing, seizing, and transforming as key processes through which firms respond to external challenges. Kilungu (2021) further showed that EO facilitates resource optimization and strategic flexibility among Kenyan SMEs, aligning with DCT's claim that internal capabilities shape organizational performance. These findings affirm that EO acts as

a dynamic capability that allows MSEs to navigate uncertainty, improve efficiency, and sustain growth.

2.4.3 Taxation Policies and Organizational Performance

Taxation policies refer to the laws, regulations, and administrative procedures that govern how businesses are taxed (Mallett et al., 2019). These policies include corporate tax rates, value-added tax (VAT), income tax, tax incentives, compliance requirements, and enforcement mechanisms. Well-structured taxation policies can provide businesses with a predictable operating environment, enabling them to plan their finances and invest in growth (Akinboade & Kinfaek, 2017). However, complex tax structures, high tax rates, and frequent regulatory changes can increase the cost of doing business and negatively impact organizational performance. For MSEs, taxation policies play a critical role in determining profitability, compliance burdens, and overall sustainability (Njeru, 2018).

Yadewani et al. (2024) investigated how policies implemented by the Indonesian government affected the Knowledge base held by SMEs that aim to be sustainable. Data was collected from SME owners in Padang using online questionnaires informed by field studies, with participants selected through convenience sampling. The findings emphasize the significance of supportive regulatory frameworks, indicating that government policies positively influence SME performance. This study also highlights the strategic importance of government involvement and adds to our understanding of the elements that enhance the development of SMEs.

A study by Jacob (2022) examined the impact of corporate taxation on business investment decisions. The researchers used a meta-analysis approach to assess the relationship between tax rates and business growth. The study found that high corporate tax rates discourage investment, particularly among small businesses. It also highlighted that complex tax filing procedures imposed additional compliance costs, reducing the efficiency and profitability of firms.

In a similar study, Eberhartinger and Zieser (2021) investigated the effects of tax compliance costs on small businesses in Austria. Using data from small business owners, the study applied a mixed-methods approach, combining quantitative analysis with in-depth interviews. The findings showed that MSEs spent a significant portion of their revenue on tax compliance, including hiring accountants and dealing with audits (Eberhartinger &

Zieser, 2021). The study concluded that simplifying tax procedures and reducing compliance costs could improve business performance and encourage formalization.

A study by Xiang et al. (2022) explored how tax policies affected the performance of SMEs in China. The research used a survey-based approach, collecting data from SMEs across different sectors. The study employed descriptive statistics and regression analysis to assess the impact of tax rates and enforcement mechanisms on business success. The findings indicated that excessive taxation and unclear tax policies were major challenges for SMEs, limiting their ability to expand operations. The study recommended tax incentives and reduced tax rates for small businesses to encourage growth and innovation.

In Nigeria, Dosumu et al. (2020) looked at how government policies affect the growth of SMEs in developing nations. Twenty SME owners and managers from five of Nigeria's six regions, twenty bank managers from Lagos, the central city, and twenty government officials from Abuja, the federal capital, participated in the study. Distinct procedures and various interactions about lenders' decisions were among the novel contextual insights revealed by the study. Researchers found that government policies, including support in infrastructure, technology, and financing, influence the success of SMEs in Nigeria.

Musabayana et al. (2022) assessed how government policies affected SME performance in Zimbabwe. The mixed-methods study adhered to the sequential exploratory strategy. Results demonstrated that the government enlightened the elite group. Although the information did not reach the SME implementers directly, the officers, who were well-versed in SME policy, ensured that the broader SME sector understood the government's intentions. The researcher concluded that the failure of the government to effectively communicate its objectives to implementers contributed to the poor performance of Zimbabwean SMEs, which in turn negatively impacted the country's economy. The study recommended that the government refocus its efforts and develop a new strategic framework that incorporates all participants in the SME industry.

Njeru (2018) investigated the effect of government policies on SMEs performance in Kenya, specifically focusing on Embu. A descriptive research design was adopted. The population targeted 291 individuals, and the researcher determined the sample size. Questionnaires served as the primary tools used for data collection. The findings of the study revealed that most employees acknowledged the presence of tax incentives for customers, resulting in

consumers paying taxes on purchases across all businesses, except for pharmaceuticals, which are exempt from taxation.

A study by Roman et al. (2023) analyzed the impact of tax burdens on SMEs in European Countries. The researchers used panel data spanning 14 years. The findings showed that high taxation significantly reduced profit margins; thus, leading to reduced investment in expansion and job creation. The study further noted that many SMEs resorted to informal operations to evade high taxes, highlighting the need for a more business-friendly tax framework.

Alshira'h et al., (2020) focused on tax compliance and business performance among small enterprises in Jordan. The study used a descriptive survey approach, structured questionnaires, and regression analysis used to assess the findings. The results indicated that businesses that struggled with tax compliance had lower profit margins and faced higher risks of closure. The study recommended increased awareness programs on tax compliance and the introduction of digital tax systems to reduce paperwork and ease the tax filing process.

The reviewed studies on taxation policies also reflect principles of both Pecking Order Theory and Dynamic Capabilities Theory. For example, Eberhartinger and Zieser (2021) showed that high compliance costs lead firms to avoid formal systems, which aligns with POT's idea that firms avoid external obligations perceived as risky or costly. Simultaneously, Crespi et al. (2016) and Jacob (2022) provide evidence that firms with adaptive capabilities are better positioned to manage regulatory changes and optimize tax strategies; thus, supporting DCT's focus on transformation and reconfiguration. These studies suggest that taxation policies are not just external constraints but also trigger internal strategic responses, validating the importance of dynamic capabilities in tax planning and compliance.

2.5 Research Gaps

Although studies on the determinants of organizational performance have been conducted, conceptual, contextual and methodological gaps exist in the literature. The conceptualization of organizational performance varies in the literature with some studies focusing on financial aspects of performance, such as profitability (Khan et al., 2021; Lilondo & Kimtai, 2023; Mbuva & Wachira, 2019; Mozumdar et al., 2022; Rajamani et al., 2022; Ndofor & Lum, 2024), and others focusing on growth (Batrancea et al, 2022), survival rates (Ferruci et al., 2021), innovation (Astuti et al., 2024), organizational development (Ali et al., 2020),

customer retention (Nyello & Kalufya, 2021). These varying conceptualizations make it challenging to compare findings across studies. Therefore, this study addressed this gap by focusing on non-financial conceptualization of organizational performance. Additionally, the contexts of existing studies vary, which include Jordan (Alshira'h et al., 2020), European countries (Roman et al., 2023), Zimbabwe (Musabayana et al., 2022), Nigeria (Dosumu et al., 2020), China (Xiang et al., 2022), and Austria (Eberhartinger & Zieser, 2021). Given the different regulatory, cultural and financial ecosystems, the findings from these studies may not be applicable to the Kenyan context. To address this gap, the context of this study was MSEs in Kamukunji, Nairobi County. Moreover, existing studies have adopted varying methodologies, including descriptive surveys (Rajamani et al., 2022), secondary panel data (Batrancea et al., 2022; Ferrucci et al., 2021), mixed methods (Chilembo, 2021; Ndofor & Lum, 2024). As a result, comparing findings across studies is challenging. This gap was addressed by adopting a descriptive cross-sectional research design for this study that employs primary data; hence, demonstrating the methodological significance of this study. Table 2.1 provides a summary of the research gaps.

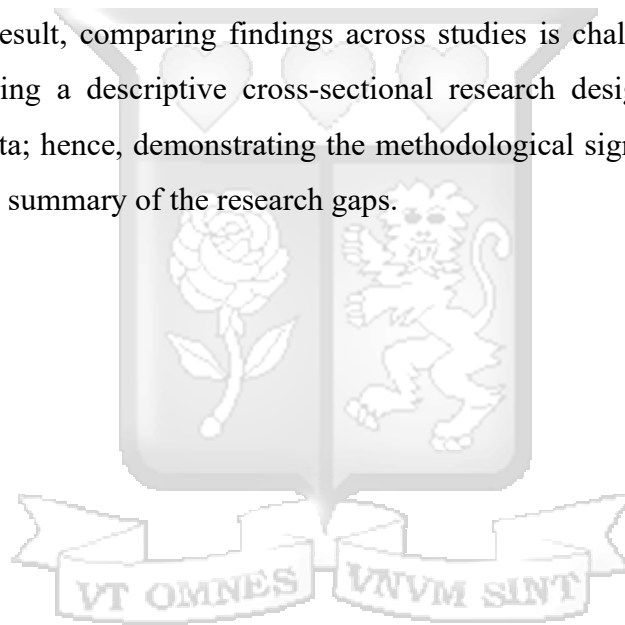


Table 2. 1: Summary of Literature Review and Research Gaps

Study	Focus of Study	Findings	Research Gap	Focus of current study
Chowdhury and Alam (2017)	Investigated the factors influencing SMEs' ability to obtain finance	When seeking loans from financial institutions, SMEs in Bangladesh encounter numerous obstacles, with the most prevalent ones being the business's age and size, the owners' level of education and expertise, and credit terms that are not investment-friendly	Conceptual gap – this study focuses on the obstacles to accessing loans from financial institutions. Contextual gap – this study was conducted in Bangladesh; as a result, the findings may not apply to the Kenyan context	Present study focuses on the effects of access to finance, entrepreneurial orientation, and taxation policies on organizational performance. The context of the study was MSEs in Kamukunji area, Nairobi County
Batrancea et al. (2022)	Studied the role of financial access in enterprise performance in the European Union	Limited access to external finance hindered the growth of small businesses, particularly in low-income countries where financial institutions were less developed	Conceptual gap – study focused only on access to finance Contextual gap – the study was conducted in the EU Methodological gap – the study used secondary data	The present study also looked at other determinants, including entrepreneurial orientation and taxation policy. The context of the study was MSEs in Kamukunji area, Nairobi County The present study used primary data
Ferrucci et al. (2021)	Effect of financial constraints on the survival and growth of new small businesses in Italy	Lack of access to credit and inadequate financial management skills significantly reduced business survival rates.	Conceptual gap - study focused only on access to finance and performance was defined in terms of survival rate. Contextual gap – the study was conducted in Italy Methodological gap – the study used secondary data	The present study also looked at other determinants, including entrepreneurial orientation and taxation policy, and how they influence organizational performance The context of the study was MSEs in Kamukunji area, Nairobi County The present study used primary data

Ndofor and Lum (2024)	How access to finance affected SMEs in Bamenda, Cameroon	Loan approval rates significantly and favorably impacted financial performance, and there was a strong association between financial success and larger loans	Conceptual gap - study focused only on access to finance. Contextual gap – the study was conducted in Cameroon Methodological gap – the study used mixed methods	The present study also looked at other determinants, including entrepreneurial orientation and taxation policy, and how they influence organizational performance The context of the study was MSEs in Kamukunji area, Nairobi County The present study used primary data
Arabeche et al. (2022)	the relationship between EO and firm performance in the Algerian SMEs	EO positively influenced firm performance, particularly in competitive environments	Conceptual gap – the study focused only on EO Contextual gap – the study was conducted in Algeria	The present study also looked at other determinants, including access to finance and taxation policy, and how they influence organizational performance The context of the study was MSEs in Kamukunji area, Nairobi County
Khan et al. (2021)	impact of EO on the growth of small businesses in Pakistan.	Firms with a high degree of entrepreneurial orientation experienced significant business growth over time	Conceptual gap – the study focused only EO and performance was defined using financial measures Contextual gap – the study was conducted in Pakistan	The present study also looked at other determinants, including access to finance and taxation policy, and how they influence organizational performance, which was measured using non-financial indicators.

				The context of the study was MSEs in Kamukunji area, Nairobi County
Gomes et al. (2021)	Examined the relationship between EO and organizational performance in Brazil	Firms that actively engaged in innovation, proactive market strategies, and calculated risk-taking outperformed their competitors	Conceptual gap – the study focused only EO a Contextual gap – the study was conducted in Brazil	The present study also looked at other determinants, including access to finance and taxation policy, and how they influence organizational performance The context of the study was MSEs in Kamukunji area, Nairobi County
Mozumdar et al. (2022)	The impact of EO on women-owned enterprises in Bangladesh	EO significantly influenced business success, with proactive and innovative strategies leading to better financial performance	Conceptual gap – the study focused only EO and performance was defined using financial measures Contextual gap – the study was conducted in Bangladesh	The present study also looked at other determinants, including access to finance and taxation policy, and how they influence organizational performance, which was measured using non-financial indicators. The context of the study was MSEs in Kamukunji area, Nairobi County

Eberhartinger and Zieser (2021)	effects of tax compliance costs on small businesses in Austria	Simplifying tax procedures and reducing compliance costs could improve business performance and encourage formalization	<p>Conceptual gap - study focused only on access to finance.</p> <p>Contextual gap – the study was conducted in Austria</p> <p>Methodological gap – the study used a qualitative approach</p>	<p>The present study also looked at other determinants, including entrepreneurial orientation and access to finance, and how they influence organizational performance</p> <p>The context of the study was MSEs in Kamukunji area, Nairobi County</p> <p>The present study used primary data</p>
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Source: Researcher (2025)



2.6 Conceptual Framework

The conceptual framework for this study is anchored in the POT and DCT. POT supports the inclusion of access to finance by explaining how MSEs prioritize internal financing before seeking external credit, which affects their ability to grow and compete (Pronca et al., 2014). This theory justifies access to finance as a foundational determinant of organizational performance. On the other hand, DCT provides a theoretical basis for the inclusion of entrepreneurial orientation and taxation policies (Levy, 2015). DCT argues that firms with dynamic capabilities, including innovation, adaptability, and proactive behavior, can better respond to regulatory constraints and changing market environments (Amin, 2017). In this regard, entrepreneurial orientation is conceptualized as an internal capability, while taxation policy is viewed as an external constraint that firms respond to strategically (Machmud & Ahman, 2019). Thus, the framework integrates both internal (entrepreneurial orientation, access to finance) and external (taxation policy) factors that influence the non-financial organizational performance of MSEs in dynamic settings like Kamukunji. The conceptual framework for this study is presented in Figure 2.1. The independent variable is organizational performance and the independent variables are access to finance, entrepreneurial orientation and taxation policies.

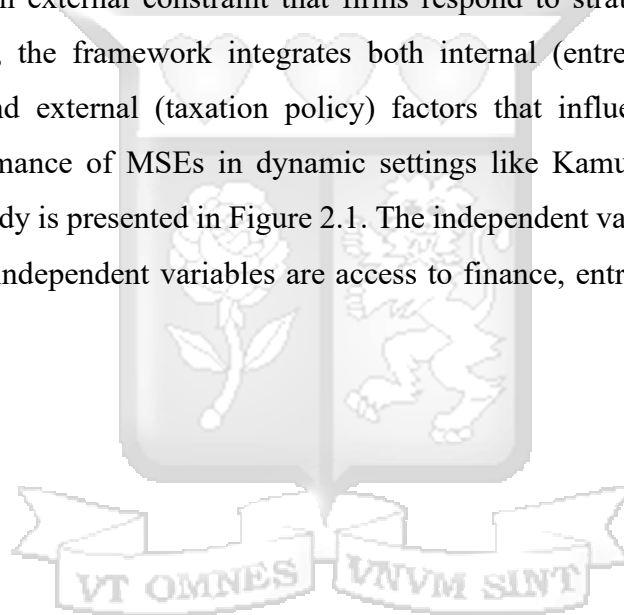
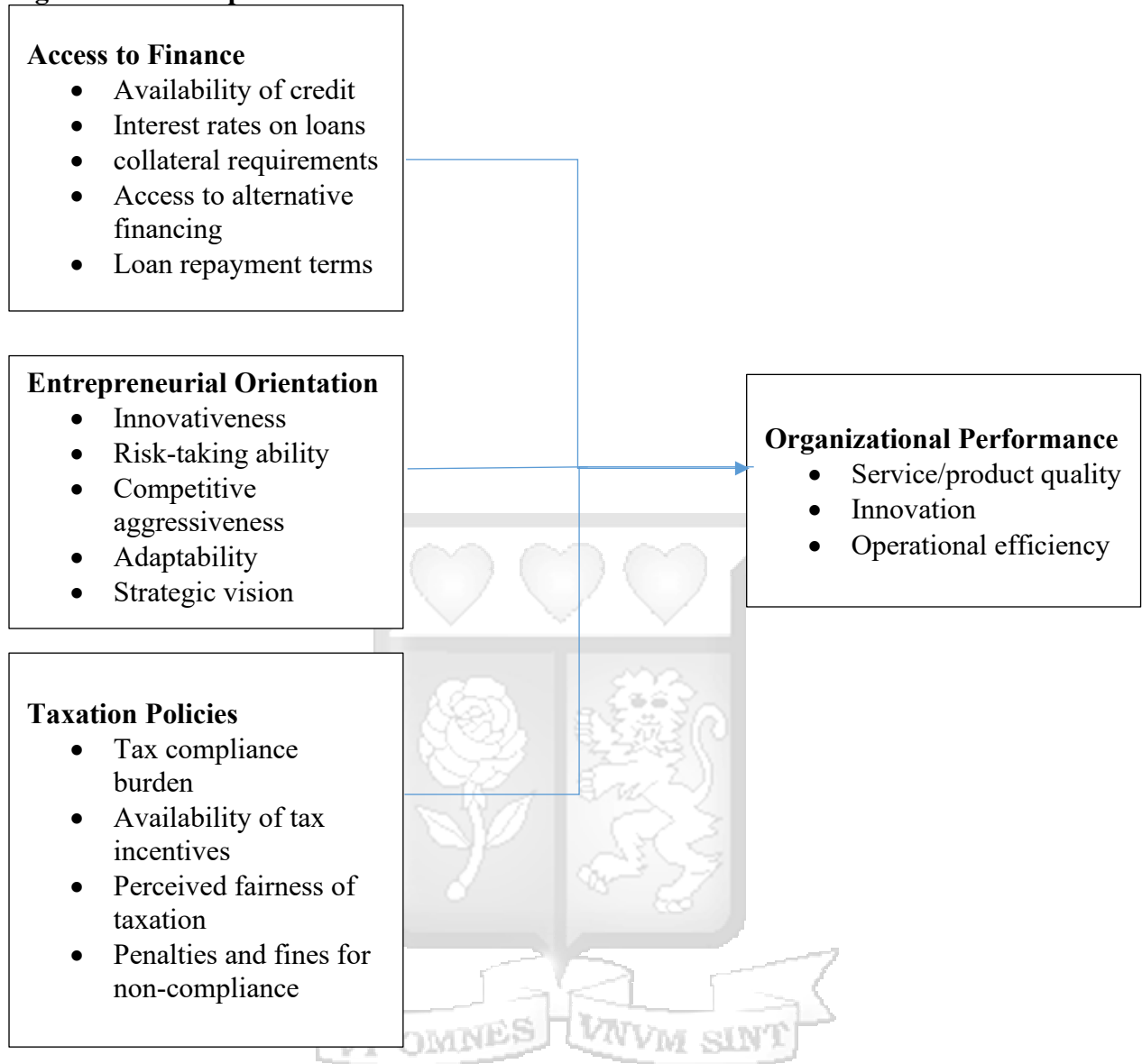


Figure 2. 1:Conceptual framework



Source: Researcher (2025)

2.7 Operationalization of the Variables

Table 2.2 shows how the variables in this study have been operationalized.

Table 2. 2: Operationalization of Variables

Variable	Indicators	Measurement	Literature source	Questionnaire Items
Access to finance	Availability of credit	Five-point Likert scale	(Amadasun, & Mutezo, 2022)	Section B
	Interest rates on loans	Five-point Likert scale	(Rezaei & Ortt, 2018)	

Variable	Indicators	Measurement	Literature source	Questionnaire Items
	collateral requirements	Five-point scale	Likert (Rezaei & Ortt, 2018)	
	Access to alternative financing	Five-point scale	Likert (Amadasun, & Mutezo, 2022)	
	Loan repayment terms	Five-point scale	Likert (Rezaei & Ortt, 2018)	
Entrepreneurial Orientation	Innovativeness	Five-point scale	Likert (Gupta & Wales, 2017)	Section C
	Risk-taking ability	Five-point scale	Likert (Gupta & Wales, 2017)	
	Competitive aggressiveness	Five-point scale	Likert (Karami et al., 2020)	
	Adaptability	Five-point scale	Likert (Karami et al., 2020)	
	Strategic vision	Five-point scale	Likert (Karami et al., 2020)	
Taxation Policies	Tax compliance burden	Five-point scale	Likert (Mwasiaji, 2019)	Section d
	Availability of tax incentives		(Robb, Kim, & Lee, 2020)	
	Perceived fairness of taxation	Five-point scale	Likert (Robb, Kim, & Lee, 2020)	
	Penalties and fines for non-compliance	Five-point scale	Likert (Mwasiaji, 2019)	
Organizational Performance	Service/product quality	Five-point scale	Likert (Hassan et al., 2023)	Section E
	Innovation	Five-point scale	Likert (Hassan et al., 2023)	
	Operational efficiency	Five-point scale	Likert (Hassan et al., 2023)	

Source: Researcher (2025)

2.8 Chapter Summary

This chapter has analyzed the literature relating to study's objectives. It has presented the theoretical review, an empirical review, identification of existing research gaps, the conceptual framework and operationalization of study variables.

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1 Introduction

This section explores approach for conducting the research. It describes the research philosophy and methodology guiding the study, along with the specific methodologies employed, including demographics, data collection methods, sampling strategies, and data analysis techniques. Additionally, the section addresses the ethical considerations involved in the research and discusses the measures taken to ensure the quality and integrity of the study.

3.2 Research Philosophy

Saunders et al. (2015) assert that two main ideas form the foundation of research philosophies: ontology, which addresses the known truths and realities, and epistemology, which elucidates discovering new information. Pragmatism, realism, interpretivism, and positivism are the four philosophies. The pragmatist approach to education places an emphasis on concrete, problem-solving aspects of learning (Saunders et al., 2015). Research in the positivist tradition is characterized by a lack of subjectivity and an emphasis on confirming preexisting theories through dispassionate, data-driven analysis. Conversely, interpretivist philosophy requires researchers to consider their personal perspectives on social phenomena when conducting a study. According to Saunders et al. (2015), realists use a combination of positivist and interpretivist tenets to shed light on the workings of the world around them.

This study applied the positivism philosophy. This is because in positivism, the researcher aims to measure certain aspects of MSEs' organizational performance, based on questions deduced from theories and empirical research. Positivism is a paradigm that relies on reason and measurement, asserting that knowledge can be derived through objective, quantitative, and impartial observation of activities, actions, or reactions (Schindler, 2022). In this study, the researcher aims to examine the influences on MSEs performance in Kenya.

3.3 Research Design

A descriptive cross-sectional research design was applied in this study. The goal of conducting research using a descriptive cross-sectional design is to provide a detailed and organized description of a population, situation, or event. It is a scientific investigation that finds,

observes, and measures variables without changing them using a range of research techniques (Saunders et al., 2015). The researcher used this type of design as it permits the researcher to examine the relationship connecting the study variables without interfering with them (Schindler, 2022). This aligned with the aim of this study that sought to examine the relationships between organizational performance and access to finance, entrepreneurial orientation, and taxation policies. Moreover, it allowed the study researcher to use a survey method to gather data for analysis.

The descriptive cross-sectional design was selected because it enables the researcher to analyze multiple variables at a single point in time, making it cost-effective and suitable for studying perceptions and organizational outcomes in natural settings without manipulating the variables (Saunders et al., 2015). This design also supports the use of standardized survey instruments, allowing for statistical generalization of results from a defined population. While this approach offers efficiency and breadth, a key limitation is that it captures data at only one moment in time, which restricts the ability to assess causality or observe changes over time. To mitigate this limitation, the study incorporated both descriptive and inferential statistics, including regression analysis, to explore the strength and direction of relationships between variables (Schindler, 2022).

3.4 Population of the Study

Saunders et al. (2015) define population as a broad group of individuals, things, organizations, and so on that share the same traits that the study researcher is interested in. For this study, the population consisted of registered/formal MSEs in Kamukunji area, Nairobi County. According to the Nairobi County Council Database, there are 838 registered MSEs in this area, and these formed the study population. The choice of the area was because Kamukunji is the source of income for thousands of traders, and it provides MSEs with a positive environment in which to flourish from the presence of a wide range of customers.

3.5 Sampling Design

The researcher used convenience sampling to guarantee that information is gathered from every company. Convenience sampling was used because it is time and cost effective. A study sample method called convenience sampling selects the participants as influenced by their accessibility and availability to the researcher (Saunders et al., 2015). According to the decision to use convenience sampling depends on the researchers' access to the participants, the research

environment, and the methodological framework. In this study, the researcher approached MSE owners and managers in the Kamukunji area and invite them to participate. Those who consented were selected and included in the sample. To ensure thorough data collection from businesses in the area, the researcher employed convenience sampling, a well-established non-probability sampling technique. Convenience sampling is particularly suitable for contexts where logistical constraints, limited time, or resource considerations make random sampling impractical (Schindler, 2022).

The use of convenience sampling was driven by practical constraints, including limited access to a full sampling frame of MSEs in Kamukunji and the need to gather data within a defined timeline and resource envelope. This non-probability approach allowed the researcher to collect responses from available and willing participants, thus improving the response rate. However, convenience sampling may introduce selection bias and reduce the generalizability of findings. To address this limitation, efforts were made to ensure diversity in terms of business types, sizes, and sectors within Kamukunji to enhance representativeness. Future studies could employ stratified or random sampling techniques where a complete list of MSEs is accessible.

The sample size in this study was determined using the Yamane formula. This ensured that the study obtains a sample size that is determined scientifically and caters for the sampling errors that may occur. Secondly, to apply this formula, the study assumed that the population is normally distributed. The formula was used to yield a sample size of 270 respondents that was obtained as follows:

$$n = \frac{N}{1+N(e)^2}$$

Where: n = Sample Size

N = Population;

e = Sampling Error

Thus:

$$n = \frac{838}{1+1,065(0.05)^2}$$

$$n = \frac{838}{1+1,065(0.0025)}$$

$$n = \frac{838}{1+2.6625}$$

$$n = \frac{838}{3.6625}$$

$$n = 270$$

3.6 Data Collection Methods

This study used primary data. To gather data in this research, questionnaires were used. The closed-ended questions on the questionnaire were ideal for quickly and effectively collecting data from the respondents (Schindler, 2022). The data collected was quantitative. The questionnaire for this study has three segments. Section A contained questions on respondents' demographic profile. Section B focused on the determinants and Section C was on organizational performance.

A fill-and-wait strategy was used to distribute the questionnaires, which were self-administered to owners of MSEs in their business settings. To improve the response rate, the researcher used trained research assistants. Before administering the questionnaires, the researcher obtained permission and consent of MSE owners.

The study used structured questionnaires as the primary data collection tool because they enable the collection of standardized, quantifiable data efficiently from a large sample. This method is especially appropriate for assessing attitudes, perceptions, and practices across multiple constructs. A limitation of this approach is that it may not capture deeper insights or contextual nuances since responses are restricted to predefined options. This was mitigated by conducting a pilot test to refine question clarity and ensure alignment with the study's conceptual framework.

3.7 Data Analysis

The collected data was scrutinized after collection, which involved checking whether all the questions have been filled in and ensuring that no single question contains multiple responses. After the data cleaning, the data was coded and input on the SPSS tool for analysis. The data was analyzed through descriptive statistics, including simple frequencies and inferential analysis. The data was coded onto the SPSS tool version 26 for analysis. Correlation analysis was used to investigate the connection between the level of significance between the independent and the dependent variables of the study. The study performed diagnostic tests to verify the data's suitability for analysis. These tests include checks for linearity, normality and multi-collinearity. Regression analysis was applied to assess the level (extent) to which the

independent variables (access to finance, EO, and taxation policies) influence the dependent variable (organizational Performance of MSEs) in the Kamukunji area. A multiple regression model was used to assess this association, and it was in the form of:

$$OP = \beta_0 + \beta_1 AF + \beta_2 EO + \beta_3 TP + \varepsilon$$

Where;

β_0 = Constant

$\beta_1 \dots \beta_3$ = Coefficients

OP = Organizational Performance

AF = Access to Finance

EO = Entrepreneurial Orientation

TP = Taxation Policies

ε = Error Term

3.8 Research Quality

3.8.1 Validity

The researcher performed a pilot study on the questionnaires that were utilized to guarantee that the research produces high-quality data. It is common practice to conduct a smaller-scale inquiry, known as a pilot study, to inform the design and refinement of the more considerable study (Zikmund et al., 2013). This is the initial phase of the research process. In particular, pilot studies are commonly conducted before main trials in large-scale clinical research to assess the study's validity (Saunders et al., 2015). The goal of this pilot study is to ensure the study questionnaire's validity and reliability.

To test the instrument, the researcher carried out a pilot study. Researchers should carry out pilot studies to improve the dependability of their research tools (Schindler, 2022). Saunders et al. (2016) state that the pilot study needs to make up between 5% and 30% of the whole sample, depending on the sample size. Before conducting the fieldwork, the researcher carried a pilot study to assess the questionnaires' reliability. The researcher used 15 respondents from the Gikomba market, which is one of the largest and busiest open-air markets in Nairobi, located adjacent to the Kamukunji area. It is a key commercial hub known for its concentration of micro and small enterprises engaged in the sale of second-hand clothes (commonly known as *mitumba*), hardware, furniture, metalworks, and other informal trade. The pilot survey was used to examine the study's reliability. The pilot study did not reveal the need to amend the

questionnaires. Respondents in the pilot study affirmed that the questionnaire is understandable and clear.

Content validity, assessed by its comprehensive coverage of all relevant aspects of the subject it aims to measure (Schindler, 2022), was evaluated. Content validity pertains to a theoretical concept known as a construct, which is generally not subject to direct measurement (Zikmund et al., 2013). The study guaranteed that the questionnaire achieves content validity with the assistance of the research study supervisor.

3.8.2 Reliability

Reliability was also be measured. The degree to which survey questions consistently provide the same answers when posed again in the same setting is known as reliability. Reliability is a statistical measure that assesses the consistency and reproducibility of the data collected through the questionnaire (Schindler, 2022). This was examined using the Cronbach alpha level using the SPSS tool. According to Saunders et al. (2015), an instrument that acquires an alpha level of 0.7 and above is considered reliable. The researcher ensured that the study utilizes questionnaires that meet this reliability standard. Table 3.1 shows the reliability findings.

Table 3. 1: Reliability Statistics

Variable	Cronbach's Alpha Coefficient	Number of Items	Interpretation
Access to Finance	0.847	10	Reliable
Entrepreneurial Orientation	0.812	10	Reliable
Taxation Policies	0.853	10	Reliable
Organizational Performance	0.789	10	Reliable

Source: Researcher (2025)

3.9 Ethical Issues in Research

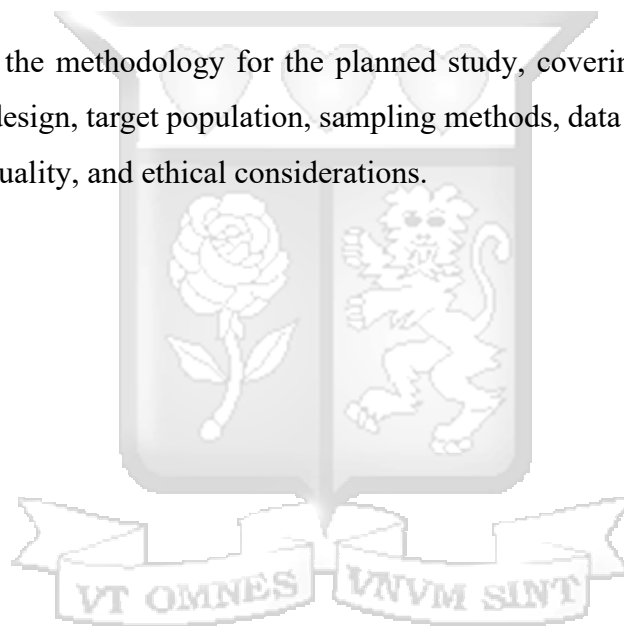
Ethical issues should be incorporated into human subjects' research (Zikmund et al., 2013). Permission from the Strathmore University review committee and the National Council for Science, Technology, and Innovation (NACOSTI) authorization was obtained before any fieldwork to approve the research study. The researcher also adopted the informed consent concept to ensure participants are willing to take part in the study. The researcher informed the respondents about the study's objectives, and their voluntary participation was sought. The

researcher did not coerce no one to participate in the study. The study also ensured that participants remained anonymous. This was accomplished by ensuring that the surveys do not contain any information of a personal nature and that the researcher ensures the anonymity of the study participants.

Participants will access the research findings through various means. Those interested in a summary of the study's results can request it via email, phone, or in person. Additionally, a community or stakeholder meeting will be organized to share key insights with business owners and other stakeholders in Kamukunji. The findings will also be published in academic reports or journals, with links to these publications made available upon request.

3.10 Chapter Summary

This chapter outlined the methodology for the planned study, covering key aspects such as research philosophy, design, target population, sampling methods, data collection and analysis techniques, research quality, and ethical considerations.



CHAPTER FOUR

PRESENTATION OF RESULTS

4.1 Introduction

In this chapter, the findings of this research are presented. In particular, this chapter covers the response rate, demographic information of respondents, descriptive statistics for variables, and the inferential analysis used to examine the relationships between the variables.

4.2 Response Rate

The targeted sample size for this study was 270 respondents. From the 270 questionnaires distributed, 227 questionnaires were returned, which translated to a response rate of 84 percent. According to Saunders et al. (2015), a response rate of 60 percent or higher is considered good and indicates that the sample is representative; therefore, the findings can be generalized. Based on this criterion, the obtained response rate of 84% was adequate to continue with the statistical analysis. The response rate is presented in Table 4.1.

Table 4. 1: Response Rate

Category	Frequency	Percentage
Number of questionnaires sent	270	100%
Number of questionnaires returned	227	84%
Number of non-returned questionnaires	43	26%

Source: Researcher (2025)

4.3 Respondents' Demographic Information

The study surveyed 227 respondents drawn from micro and small enterprises (MSEs) in the Kamukunji area of Nairobi County. In terms of gender distribution, the majority of respondents were male, comprising 55% (n = 124) of the sample while females accounted for 45% (n = 103). This suggests that while MSEs in Kamukunji are still male-dominated, women play a significant role in these businesses, aligning with broader trends in Kenyan entrepreneurship where women increasingly participate in small-scale trade and enterprise.

Regarding age, the largest proportion of respondents fell within the 46–55 age bracket, making up 35% (n = 80) of the total. This was followed closely by those aged 36–45 years at 33% (n = 76). Respondents aged 26–35 years constituted 14% (n = 32), while those aged 18–25 years

represented 11% (n = 26). A smaller segment of the respondents, 6% (n = 13), were aged 56 years and above. This distribution suggests that MSEs in the area are primarily run by experienced individuals, which possibly reflecting the stability and long-term nature of many small businesses in the region.

In terms of educational attainment, most respondents had attained post-secondary education. Specifically, 44% (n = 101) had completed college or tertiary education, while 35% (n = 80) held a bachelor's degree. A smaller percentage of the respondents had attained postgraduate qualifications, with 4% (n = 8) holding a master's degree and another 4% (n = 9) possessing a PhD. Notably, none of the respondents reported primary education as their highest level of attainment, while 13% (n = 29) had completed secondary education. The high level of education suggests that many MSE operators in Kamukunji are relatively well-educated, which may influence business management practices, access to financing, and adaptability to market changes.

The duration of business operation among the surveyed MSEs varied. A significant portion, 37% (n = 85), indicated that their businesses had been in operation for between 16 and 25 years. Another 33% (n = 74) had been operating for 6 to 15 years, while 18% (n = 40) reported operating for over 25 years. Only 12% (n = 28) had businesses that had been in existence for five years or less. This indicates that Kamukunji's MSE sector consists mostly of established businesses, likely with stable customer bases and operational experience. The low percentage of very young businesses (≤ 5 years) could suggest market saturation or high entry barriers for new enterprises in the area.

Finally, with respect to roles in the business, the majority of respondents identified themselves as owners of the enterprises, comprising 55% (n = 124), while the remaining 45% (n = 103) served in managerial positions. This distribution underscores a strong representation of both ownership and operational leadership perspectives in the study. This balance provides valuable insights from both leadership perspectives: owners who make strategic decisions and managers who oversee daily operations. The high percentage of owner-respondents may reflect the prevalence of small, family-run, or sole-proprietorship businesses in Kamukunji's MSE sector. These findings are demonstrated in Table 4.2.

Table 4. 2: Respondents' Demographic Information

		Count	Percent
Gender	Female	103	45%
	Male	124	55%

	Total	227	100%
Age Bracket	18-25	26	11%
	26-35	32	14%
	36-45	76	33%
	46-55	80	35%
	56 and above	13	6%
	Total	227	100%
Level of education	Primary	0	0%
	Secondary	29	13%
	College/Tertiary	101	44%
	Bachelor's Degree	80	35%
	Master's Degree	8	4%
	PhD	9	4%
	Total	227	100%
years the business has been in operation	5 years and below	28	12%
	6-15 years	74	33%
	16-25 years	85	37%
	25 years and above	40	18%
	Total	227	100%
Role in the business	Manager	103	45%
	Owner	124	55%
	Total	227	100%

Source: Researcher (2025)

4.4 Descriptive Analysis

This section presents the results of descriptive analysis for the study variables.

4.4.1 Access to Finance

Respondents indicated their level of agreement in terms of availability of credit, interest rates on loans, collateral requirements, access to alternative financing and loan repayment terms. When asked whether easy access to credit from financial institutions had positively impacted business growth, a majority of respondents agreed. Specifically, 34% (n = 77) agreed and 11% (n = 26) strongly agreed. However, a considerable portion remained neutral at 29% (n = 65), while 16% (n = 37) disagreed and 10% (n = 22) strongly disagreed. This suggests that while access to credit is generally perceived as beneficial, a significant number of respondents may not have experienced direct or sufficient impact.

In terms of the availability of financial products tailored to small businesses, 28% (n = 63) agreed and 15% (n = 34) strongly agreed that such products had improved their business

operations. However, a relatively high proportion, 33% (n = 75), remained neutral, while 16% (n = 37) disagreed and 8% (n = 18) strongly disagreed. This distribution indicates mixed experiences with financial products, pointing to a potential gap in product relevance or accessibility.

Regarding the affordability of interest rates on business loans, a combined 44% of respondents expressed agreement, with 31% (n = 70) agreeing and 13% (n = 30) strongly agreeing that affordable rates had enabled enterprise expansion. Still, 32% (n = 72) were neutral, while 15% (n = 34) disagreed and 9% (n = 21) strongly disagreed. This suggests varied experiences with the cost of credit.

Responses were similarly divided when assessing whether favorable interest rates had not limited business investment. About one-third of respondents, 32% (n = 72), agreed with the statement, and another 32% (n = 72) remained neutral. Meanwhile, 19% (n = 42) disagreed, and only 2% (n = 5) strongly disagreed, which shows a more favorable outlook on the influence of interest rates on investment opportunities.

In evaluating the ability to meet collateral requirements for securing funding, 27% (n = 62) agreed and 16% (n = 36) strongly agreed. However, 30% (n = 68) remained neutral, and 24% (n = 55) disagreed. This shows that collateral requirements may be a potential barrier to the performance of MSEs.

Similarly, 22% (n = 50) agreed and another 22% (n = 49) strongly agreed that favorable collateral demands had improved business performance through enhanced financing access. However, 31% (n = 70) were neutral, and 21% (n = 47) disagreed. This result shows mixed views regarding the perceived benefit of collateral-related policies.

A large portion of respondents, 51% (n = 116), remained neutral on whether access to alternative financing sources had improved business financial stability. Nevertheless, 21% (n = 47) agreed and 11% (n = 24) strongly agreed with this assertion; thus, suggesting that alternative financing is gaining some traction but may still be underutilized or not fully understood.

When asked whether alternative financing options had enabled businesses to maintain operations and improve productivity, 37% (n = 84) agreed, and 6% (n = 13) strongly agreed. However, 40% (n = 90) remained neutral, and 18% (n = 40) expressed disagreement. This result indicates mixed perceptions on alternative financing and its impact on performance.

Flexible loan repayment terms were recognized by 16% (n = 37) who agreed and 19% (n = 42) who strongly agreed as having helped their businesses manage finances effectively. Nonetheless, 45% (n = 102) were neutral, and 20% (n = 46) expressed disagreement; therefore, suggesting room for improvement in the structure and communication of repayment options.

Finally, in terms of favorable loan repayment conditions influencing business performance, 34% (n = 78) agreed and 17% (n = 38) strongly agreed. A neutral stance was taken by 30% (n = 69), while 14% (n = 31) disagreed and 5% (n = 11) strongly disagreed. These findings affirm the importance of repayment terms in shaping financial outcomes, though their perceived effect varies across the respondent pool. These findings are presented in Table 4.3.

Table 4. 3: Responses for Access to Finance

		Count	Percent
Easy access to credit from financial institutions has positively impacted the growth of my business.	Strongly Disagree	22	10%
	Disagree	37	16%
	Neutral	65	29%
	Agree	77	34%
	Strongly Agree	26	11%
	Total	227	100%
The availability of financial products tailored to small businesses has improved my business operations.	Strongly Disagree	18	8%
	Disagree	37	16%
	Neutral	75	33%
	Agree	63	28%
	Strongly Agree	34	15%
	Total	227	100%
Affordable interest rates on business loans have enabled my enterprise to expand.	Strongly Disagree	21	9%
	Disagree	34	15%
	Neutral	72	32%
	Agree	70	31%
	Strongly Agree	30	13%
	Total	227	100%
Favorable interest rates have not limited my ability to invest in business growth.	Strongly Disagree	5	2%
	Disagree	42	19%
	Neutral	72	32%
	Agree	72	32%
	Strongly Agree	36	16%
	Total	227	100%
Meeting collateral requirements allows my business to secure funding for expansion.	Strongly Disagree	6	3%
	Disagree	55	24%
	Neutral	68	30%
	Agree	62	27%
	Strongly Agree	36	16%
	Total	227	100%

Favorable collateral demands have helped me access necessary financing and improve the performance of my business.	Strongly Disagree	11	5%
	Disagree	47	21%
	Neutral	70	31%
	Agree	50	22%
	Strongly Agree	49	22%
	Total	227	100%
Access to alternative financing sources has improved the financial stability of my business.	Strongly Disagree	17	7%
	Disagree	23	10%
	Neutral	116	51%
	Agree	47	21%
	Strongly Agree	24	11%
	Total	227	100%
Alternative financing options have enabled my business to maintain operations and improve productivity.	Strongly Disagree	16	7%
	Disagree	24	11%
	Neutral	90	40%
	Agree	84	37%
	Strongly Agree	13	6%
	Total	227	100%
Flexible loan repayment terms have helped my business manage its finances effectively.	Strongly Disagree	11	5%
	Disagree	35	15%
	Neutral	102	45%
	Agree	37	16%
	Strongly Agree	42	19%
	Total	227	100%
Favorable loan repayment conditions have positively affected my business performance.	Strongly Disagree	11	5%
	Disagree	31	14%
	Neutral	69	30%
	Agree	78	34%
	Strongly Agree	38	17%
	Total	227	100%

Source: Researcher (2025)

The descriptive statistics (Table 4.4) presented for access to finance offer insightful perspectives on how various financial dimensions impact the organizational performance of micro and small enterprises (MSEs). The responses were measured on a five-point Likert scale ranging from strongly disagree to strongly agree, where a higher score represents better access to finance.

The statement “Easy access to credit from financial institutions has positively impacted the growth of my business” yielded a mean score of $M = 3.21$ ($SD = 1.14$). This suggests that respondents generally perceive institutional credit access as moderately beneficial to business growth. However, the relatively high standard deviation indicates variability in experience,

implying that while some businesses benefit from accessible credit, others may still face substantial obstacles, which could hinder their performance and growth.

In response to “The availability of financial products tailored to small businesses has improved my business operations,” the score was $M = 3.26$ ($SD = 1.14$). This reflects a moderate level of agreement, highlighting the value of specialized financial products in enhancing operational efficiency. Nevertheless, the variation suggests that access to such tailored financial solutions is not uniformly experienced across all respondents.

The item “Affordable interest rates on business loans have enabled my enterprise to expand” recorded a score of $M = 3.24$ ($SD = 1.14$). The slightly above-neutral mean suggests that affordable financing is recognized as a facilitator of business expansion. The consistent standard deviation further reveals a mix of experiences in that some firms thrive with affordable rates, while others may still perceive loan costs as prohibitive.

For the statement “Favorable interest rates have not limited my ability to invest in business growth,” the result was $M = 3.41$ ($SD = 1.03$). This relatively higher score reflects a stronger positive sentiment, suggesting that most respondents do not view interest rates as a barrier to investment. The lower standard deviation indicates greater consensus, underscoring the importance of interest affordability for sustained business growth.

The response to “Meeting collateral requirements allows my business to secure funding for expansion” was $M = 3.30$ ($SD = 1.08$). This score suggests a moderate ability among businesses to meet collateral conditions, facilitating funding access. However, the standard deviation points to some challenges, likely affecting smaller enterprises that lack sufficient assets.

The item “Favorable collateral demands have helped me access necessary financing and improve the performance of my business” had a slightly higher score of $M = 3.35$ ($SD = 1.17$). This indicates that less stringent collateral requirements are beneficial to accessing funding and boosting business performance, although the higher deviation reveals differences in how firms experience and navigate these demands.

For the item “Access to alternative financing sources has improved the financial stability of my business,” the mean was $M = 3.17$ ($SD = 1.00$). This reflects a slightly positive perception of non-traditional financing options in supporting financial stability. The relatively lower standard

deviation suggests more consistent experiences across businesses in utilizing alternative funding.

Similarly, the item “Alternative financing options have enabled my business to maintain operations and improve productivity” scored $M = 3.24$ ($SD = 0.97$). The responses suggest that these options are viewed as important for operational continuity and productivity, with less variation, indicating that alternative finance plays a reliable role in supporting organizational performance.

The statement “Flexible loan repayment terms have helped my business manage its finances effectively” received a score of $M = 3.28$ ($SD = 1.09$). This reflects general agreement that flexible repayment structures are essential for effective financial management. The standard deviation again indicates a range of experiences.

The item “Favorable loan repayment conditions have positively affected my business performance” scored the highest among all items at $M = 3.44$ ($SD = 1.07$). This result signifies a strong positive perception of repayment flexibility as a critical factor in enhancing business performance, suggesting that accommodating loan terms are central to financial health and operational sustainability. Finally, the overall composite score for access to finance was $M = 3.29$ ($SD = 0.90$). This overall result indicates that, on average, respondents experience moderately favorable access to finance. These findings are shown in Table 4.4 outlines these findings.

Table 4. 4: Descriptive Statistics for Access to Finance

	N	Mean	Std. Deviation
Easy access to credit from financial institutions has positively impacted the growth of my business.	227	3.21	1.144
The availability of financial products tailored to small businesses has improved my business operations.	227	3.26	1.139
Affordable interest rates on business loans have enabled my enterprise to expand.	227	3.24	1.143
Favorable interest rates have not limited my ability to invest in business growth.	227	3.41	1.032
Meeting collateral requirements allows my business to secure funding for expansion.	227	3.30	1.083

Favorable collateral demands have helped me access necessary financing and improve the performance of my business.	227	3.35	1.170
Access to alternative financing sources has improved the financial stability of my business.	227	3.17	1.004
Alternative financing options have enabled my business to maintain operations and improve productivity.	227	3.24	.967
Flexible loan repayment terms have helped my business manage its finances effectively.	227	3.28	1.085
Favorable loan repayment conditions have positively affected my business performance.	227	3.44	1.073
Access to Finance	227	3.2885	.89934
Valid N (listwise)	227		

Source: Researcher (2025)

4.4.2 Entrepreneurial Orientation

Respondents rated their level of entrepreneurial orientation in terms of innovation, risk-taking ability, competitive aggressiveness, adaptability and strategic vision. With respect to innovation, a majority of respondents appeared neutral or cautiously supportive. When asked whether introducing new products or services contributed to business growth, nearly half, 48% (n = 108), selected a neutral stance. However, 16% (n = 37) agreed and 17% (n = 38) strongly agreed, suggesting that while many see innovation as beneficial, others may not have experienced its full impact. A smaller segment, 20% (n = 44), disagreed or strongly disagreed. Similarly, when assessing whether their businesses adopt innovative solutions to enhance efficiency and customer satisfaction, 42% (n = 95) remained neutral. Yet, 28% (n = 63) agreed and 13% (n = 29) strongly agreed with this assertion. A combined 17% (n = 40) disagreed or strongly disagreed, indicating some level of hesitancy or challenges in implementing innovation.

Risk-taking as an entrepreneurial behavior yielded more ambivalent responses. For example, when asked if taking financial risks had led to growth and expansion, the majority, 51% (n = 116), chose a neutral response. Only 20% (n = 45) agreed and 11% (n = 25) strongly agreed, while 18% (n = 41) disagreed or strongly disagreed. Similarly, when respondents considered whether a willingness to take calculated risks had enabled them to seize new opportunities, 40% (n = 91) were neutral, 36% (n = 82) agreed, and only 6% (n = 13) strongly agreed. About 18% (n = 41) disagreed or strongly disagreed, showing that risk appetite remains moderate.

On competitiveness, responses were relatively more positive. When asked if aggressive competition improved business performance, 33% (n = 76) agreed and 8% (n = 19) strongly agreed, while 32% (n = 73) were neutral. However, a combined 26% (n = 59) disagreed or strongly disagreed. In addition, 31% (n = 71) agreed and 13% (n = 29) strongly agreed that actively responding to competitors' strategies helped maintain a competitive edge, though 31% (n = 70) remained neutral and 25% (n = 57) disagreed or strongly disagreed.

Adaptability also emerged as an important dimension of entrepreneurial orientation. When asked if the ability to adapt to changing market conditions influenced business success, 30% (n = 68) agreed and 15% (n = 33) strongly agreed. However, 28% (n = 63) remained neutral and 22% (n = 50) disagreed, reflecting some split in perceived benefits of market adaptability. The same pattern was observed for adjusting to customer preferences and industry trends, with 16% (n = 37) agreeing and 17% (n = 38) strongly agreeing. Still, 48% (n = 108) were neutral, while 20% (n = 44) disagreed or strongly disagreed, suggesting that not all businesses have either the capacity or the agility to respond quickly to evolving market demands.

Regarding strategic vision, a significant proportion of respondents recognized its importance. When asked whether having a clear strategic vision had guided their businesses toward sustainable growth, 28% (n = 63) agreed and 13% (n = 29) strongly agreed. Still, 42% (n = 95) remained neutral, and 17% (n = 40) expressed disagreement. Similarly, when questioned about the impact of a well-defined long-term vision on achieving performance goals, 20% (n = 45) agreed and 11% (n = 25) strongly agreed. Meanwhile, 51% (n = 116) were neutral, and 18% (n = 41) disagreed or strongly disagreed. These findings are detailed in Table 4.5.

Table 4. 5: Responses for Entrepreneurial Orientation

		Count	Percent
Introducing new products or services has contributed to the growth of my business.	Strongly Disagree	13	6%
	Disagree	31	14%
	Neutral	108	48%
	Agree	37	16%
	Strongly Agree	38	17%
	Total	227	100%
My business frequently adopts innovative solutions to improve efficiency and customer satisfaction.	Strongly Disagree	12	5%
	Disagree	28	12%
	Neutral	95	42%
	Agree	63	28%
	Strongly Agree	29	13%
	Total	227	100%
Taking financial risks has led to significant	Strongly Disagree	17	7%
	Disagree	24	11%

business growth and expansion.	Neutral	116	51%
	Agree	45	20%
	Strongly Agree	25	11%
	Total	227	100%
My willingness to take calculated risks has helped my business seize new opportunities.	Strongly Disagree	16	7%
	Disagree	25	11%
	Neutral	91	40%
	Agree	82	36%
	Strongly Agree	13	6%
	Total	227	100%
Competing aggressively in the market has improved my business performance.	Strongly Disagree	22	10%
	Disagree	37	16%
	Neutral	73	32%
	Agree	76	33%
	Strongly Agree	19	8%
	Total	227	100%
My business actively responds to competitors' strategies to maintain a competitive edge.	Strongly Disagree	18	8%
	Disagree	39	17%
	Neutral	70	31%
	Agree	71	31%
	Strongly Agree	29	13%
	Total	227	100%
The ability to adapt to changing market conditions has positively influenced my business success.	Strongly Disagree	13	6%
	Disagree	50	22%
	Neutral	63	28%
	Agree	68	30%
	Strongly Agree	33	15%
	Total	227	100%
My business quickly adjusts to customer preferences and industry trends to remain relevant.	Strongly Disagree	13	6%
	Disagree	31	14%
	Neutral	108	48%
	Agree	37	16%
	Strongly Agree	38	17%
	Total	227	100%
Having a clear strategic vision has guided my business toward sustainable growth.	Strongly Disagree	12	5%
	Disagree	28	12%
	Neutral	95	42%
	Agree	63	28%
	Strongly Agree	29	13%
	Total	227	100%
A well-defined long-term vision has enabled my business to achieve its performance goals.	Strongly Disagree	17	7%
	Disagree	24	11%
	Neutral	116	51%
	Agree	45	20%
	Strongly Agree	25	11%
	Total	227	100%

Source: Researcher (2025)

The descriptive statistics for entrepreneurial orientation provide insights into how various dimensions of entrepreneurial behavior influence the organizational performance of MSEs (Table 4.6). These dimensions include innovation, risk-taking, proactivity, and strategic orientation.

The statement “Introducing new products or services has contributed to the growth of my business” resulted in a mean of $M = 3.25$ ($SD = 1.07$). This reflects a moderate agreement among respondents that product or service innovation plays a role in business growth. The relatively high standard deviation suggests variability in how much innovation impacts growth, with some businesses experiencing more success than others in introducing new offerings.

The item “My business frequently adopts innovative solutions to improve efficiency and customer satisfaction” yielded a mean of $M = 3.30$ ($SD = 1.02$). This suggests that businesses generally recognize the importance of adopting innovative solutions, particularly in enhancing operational efficiency and customer satisfaction. The standard deviation indicates that while many businesses prioritize innovation, the degree to which it is effectively implemented varies.

For the statement “Taking financial risks has led to significant business growth and expansion”, the mean was $M = 3.16$ ($SD = 1.01$). This suggests that taking financial risks is seen as somewhat beneficial for business growth, but with variability in its effectiveness. The standard deviation reflects that some businesses may have experienced growth through risk-taking, while others might have found it less impactful or even detrimental.

The item “My willingness to take calculated risks has helped my business seize new opportunities” scored $M = 3.22$ ($SD = 0.97$). This reflects moderate agreement, indicating that businesses acknowledge the value of calculated risk-taking in pursuing new opportunities. The lower standard deviation suggests that there is less variability in how risk-taking is perceived across businesses, indicating a general consensus on its positive role.

The response to “Competing aggressively in the market has improved my business performance” resulted in $M = 3.15$ ($SD = 1.10$). This suggests that respondents moderately agree with the statement, but the high standard deviation indicates considerable variability in how aggressive competition affects business performance. Some firms likely benefit from competitive strategies, while others may struggle to keep up with competitors.

The item “My business actively responds to competitors’ strategies to maintain a competitive edge” had a mean score of $M = 3.24$ ($SD = 1.12$). This reflects a generally positive view on the importance of responding to competitors’ actions. However, the high standard deviation indicates that businesses may vary in their responsiveness to competition, with some actively adapting and others remaining more passive.

For the statement “The ability to adapt to changing market conditions has positively influenced my business success”, the mean was $M = 3.26$ ($SD = 1.13$). This score suggests that adapting to market changes is seen as an important factor in business success. The large standard deviation, however, indicates a range of experiences in that some businesses might have thrived through adaptability while others may have faced challenges in adjusting to the market.

The item “My business quickly adjusts to customer preferences and industry trends to remain relevant” scored $M = 3.25$ ($SD = 1.07$). This suggests that businesses believe adjusting to customer preferences and industry trends is crucial to maintaining relevance. The moderate variability indicates that while many businesses successfully adjust to these factors, some may struggle to keep pace with shifting demands.

The statement “Having a clear strategic vision has guided my business toward sustainable growth” had a mean of $M = 3.30$ ($SD = 1.02$). This reflects a general agreement that a well-defined strategic vision contributes to business growth. The standard deviation shows some variability, suggesting that while strategic vision is important, its clarity and impact might differ across businesses.

The final item, “A well-defined long-term vision has enabled my business to achieve its performance goals”, had a mean score of $M = 3.16$ ($SD = 1.01$). This suggests that businesses moderately agree that a clear long-term vision has helped them achieve their performance goals. The standard deviation indicates that while some firms benefit from a long-term vision, others may not have a defined strategy or may struggle to achieve their objectives.

The overall composite score for entrepreneurial orientation was $M = 3.23$ ($SD = 0.85$). This indicates that, on average, businesses exhibit a moderate level of entrepreneurial orientation. The relatively low standard deviation suggests that there is a general consensus on the importance of entrepreneurial behaviors such as innovation, risk-taking, and strategic planning, but the varying scores reflect differences in how businesses execute these practices.

Table 4. 6: Descriptive Statistics for Entrepreneurial Orientation

	N	Mean	Std. Deviation
Introducing new products or services has contributed to the growth of my business.	227	3.25	1.069
My business frequently adopts innovative solutions to improve efficiency and customer satisfaction.	227	3.30	1.018
Taking financial risks has led to significant business growth and expansion.	227	3.16	1.011
My willingness to take calculated risks has helped my business seize new opportunities.	227	3.22	.967
Competing aggressively in the market has improved my business performance.	227	3.15	1.097
My business actively responds to competitors' strategies to maintain a competitive edge.	227	3.24	1.123
The ability to adapt to changing market conditions has positively influenced my business success.	227	3.26	1.127
My business quickly adjusts to customer preferences and industry trends to remain relevant.	227	3.25	1.069
Having a clear strategic vision has guided my business toward sustainable growth.	227	3.30	1.018
A well-defined long-term vision has enabled my business to achieve its performance goals.	227	3.16	1.011
Entrepreneurial Orientation	227	3.2291	.84850
Valid N (listwise)	227		

Source: Researcher (2025)

4.4.3 Taxation Policies

Respondents were asked about tax compliance burden, tax incentives, fairness of taxation, effects of taxes on consumer demand and fines and penalties for non-compliance. When asked whether tax compliance affects business profitability, 30% (n = 67) agreed and 17% (n = 38) strongly agreed that it does not negatively affect profitability. However, 25% (n = 57) disagreed, and 2% (n = 5) strongly disagreed, while 26% (n = 60) remained neutral. This distribution suggests that while a notable portion of business owners do not view compliance as harmful to profits, a substantial minority feel otherwise.

On the issue of compliance costs, responses were similarly divided. While 31% (n = 71) agreed and 12% (n = 28) strongly agreed that compliance costs do not hinder growth, 36% (n = 81)

remained neutral, and 21% (n = 47) disagreed or strongly disagreed. This indicates that compliance-related expenses may still be seen as a constraint by a segment of MSEs.

Regarding government support through tax incentives, 29% (n = 65) agreed and 10% (n = 23) strongly agreed that such incentives positively impacted their business performance. However, a significant proportion, 44% (n = 100), were neutral, while 17% (n = 39) disagreed or strongly disagreed. Similarly, when asked whether their businesses benefited from tax exemptions or reductions, 31% (n = 70) agreed and 10% (n = 23) strongly agreed, yet 41% (n = 93) were neutral, and 18% (n = 41) disagreed or strongly disagreed. This suggests limited or uneven awareness and access to such incentives among MSEs.

The perceived fairness of the taxation system also drew mixed reactions. While 16% (n = 37) agreed and 22% (n = 49) strongly agreed that the system is fair and not burdensome, 40% (n = 91) remained neutral, and 22% (n = 50) disagreed or strongly disagreed. This reflects moderate confidence in tax fairness but also highlights that a notable number of respondents perceive the system as potentially burdensome.

When considering whether fair taxation has helped expand their businesses, 19% (n = 42) agreed and 18% (n = 40) strongly agreed, while 36% (n = 82) were neutral, and 28% (n = 63) disagreed or strongly disagreed. This again underscores a degree of uncertainty or limited perceived benefit from existing tax policies.

Regarding penalties and fines, a combined 43% (n = 99) agreed or strongly agreed that they are not excessively severe, while 36% (n = 81) were neutral, and 21% (n = 47) disagreed or strongly disagreed. Likewise, in response to whether penalties for non-compliance cause financial strain, 29% (n = 65) agreed and 10% (n = 23) strongly agreed they do not, whereas 17% (n = 39) disagreed or strongly disagreed, and a significant 44% (n = 100) were neutral. Table 4.7 details these findings.

Table 4. 7: Responses for Taxation Policies

		Count	Percent
The tax compliance does not affect the profitability of my business.	Strongly Disagree	5	2%
	Disagree	57	25%
	Neutral	60	26%
	Agree	67	30%
	Strongly Agree	38	17%
	Total	227	100%

Compliance costs do not reduce the financial resources available for business growth.	Strongly Disagree	13	6%
	Disagree	34	15%
	Neutral	81	36%
	Agree	71	31%
	Strongly Agree	28	12%
	Total	227	100%
Tax incentives provided by the government have positively impacted my business performance.	Strongly Disagree	13	6%
	Disagree	26	11%
	Neutral	100	44%
	Agree	65	29%
	Strongly Agree	23	10%
	Total	227	100%
My business has benefited from tax exemptions or reductions that support small enterprises.	Strongly Disagree	11	5%
	Disagree	30	13%
	Neutral	93	41%
	Agree	70	31%
	Strongly Agree	23	10%
	Total	227	100%
The taxation system is fair and does not place an excessive burden on my small business	Strongly Disagree	15	7%
	Disagree	35	15%
	Neutral	91	40%
	Agree	37	16%
	Strongly Agree	49	22%
	Total	227	100%
I believe fair taxation policies have helped me in expanding my business.	Strongly Disagree	11	5%
	Disagree	52	23%
	Neutral	82	36%
	Agree	42	19%
	Strongly Agree	40	18%
	Total	227	100%
Penalties and fines are not extremely severe that they can disrupt my business operations	Strongly Disagree	13	6%
	Disagree	34	15%
	Neutral	81	36%
	Agree	71	31%
	Strongly Agree	28	12%
	Total	227	100%
Penalties for tax non-compliance do not cause significant strain my business finances.	Strongly Disagree	13	6%
	Disagree	26	11%
	Neutral	100	44%
	Agree	65	29%
	Strongly Agree	23	10%
	Total	227	100%

Source: Researcher (2025)

The descriptive statistics for taxation policies provide insights into how various aspects of the tax system influence the performance and operations of MSEs. These aspects include tax compliance, tax incentives, fairness in the tax system, and penalties.

The item “The tax compliance does not affect the profitability of my business” resulted in a mean of $M = 3.33$ ($SD = 1.09$). This indicates that, on average, businesses slightly agree that tax compliance does not significantly impact their profitability. The relatively high standard deviation suggests that there is variability in the experiences of businesses, with some finding compliance burdensome while others do not view it as a major factor affecting profitability.

For the statement “Compliance costs do not reduce the financial resources available for business growth”, the mean was $M = 3.30$ ($SD = 1.05$). This score indicates that businesses generally feel that compliance costs do not severely hinder their financial growth. The standard deviation suggests a moderate level of disagreement and agreement, indicating some variability in how businesses perceive the impact of compliance costs on growth.

The item “Tax incentives provided by the government have positively impacted my business performance” had a mean of $M = 3.26$ ($SD = 0.99$). This suggests that businesses moderately agree that tax incentives contribute positively to their performance. The standard deviation reflects that while some businesses benefit significantly from tax incentives, others may not experience substantial positive effects.

The statement “My business has benefited from tax exemptions or reductions that support small enterprises” scored $M = 3.28$ ($SD = 0.98$). This indicates a moderate agreement that tax exemptions or reductions have supported business growth. The relatively low standard deviation suggests a consensus among respondents, though some businesses may still feel excluded from such benefits.

For the statement “The taxation system is fair and does not place an excessive burden on my small business”, the mean was $M = 3.31$ ($SD = 1.16$). This reflects a moderate agreement that the tax system is fair, though the high standard deviation indicates significant variability in respondents’ views, with some feeling burdened by the taxation system while others perceive it as fair.

The item “I believe fair taxation policies have helped me in expanding my business” resulted in $M = 3.21$ ($SD = 1.13$). This score suggests that businesses slightly agree that fair taxation policies support business expansion. The high standard deviation reflects differing opinions on the role of taxation policies in business growth, with some businesses feeling the impact more strongly than others.

For the item “Penalties and fines are not extremely severe that they can disrupt my business operations”, the mean was $M = 3.30$ ($SD = 1.05$). This indicates that businesses feel penalties and fines are generally not severe enough to disrupt operations. The standard deviation reflects that there is some variability, with certain businesses perhaps finding penalties more burdensome than others.

The final item, “Penalties for tax non-compliance do not cause significant strain on my business finances”, resulted in $M = 3.26$ ($SD = 0.99$). This suggests that businesses generally agree that penalties for non-compliance do not create substantial financial strain. The standard deviation indicates some variability in how businesses perceive the impact of penalties on their finances.

The overall composite score for taxation policies was $M = 3.29$ ($SD = 0.92$). This composite score indicates that, on average, businesses perceive taxation policies in a moderately positive light. The relatively low standard deviation suggests that most businesses share a similar view on the role of tax compliance, incentives, fairness, and penalties.

Table 4. 8: Descriptive Statistics for Taxation Policies

	N	Mean	Std. Deviation
The tax compliance does not affect the profitability of my business.	227	3.33	1.094
Compliance costs do not reduce the financial resources available for business growth.	227	3.30	1.050
Tax incentives provided by the government have positively impacted my business performance.	227	3.26	.986
My business has benefited from tax exemptions or reductions that support small enterprises.	227	3.28	.982
The taxation system is fair and does not place an excessive burden on my small business	227	3.31	1.164
If goods and services are taxed fairly, I believe my sales revenue and profitability can increase.	227	3.33	1.094
Penalties and fines are not extremely severe that they can disrupt my business operations	227	3.30	1.050
Penalties for tax non-compliance do not cause significant strain my business finances.	227	3.26	.986
Taxation Policies	227	3.2855	.92277
Valid N (listwise)	227		

Source: Researcher (2025)

4.4.4 Organizational Performance

Respondents were asked to rate the performance of their organization with respect to service/product quality, innovation and operational efficiency. A majority of respondents acknowledged the importance of product and service quality. Specifically, 27% (n = 61) agreed and 12% (n = 28) strongly agreed that their businesses consistently deliver high-quality offerings that satisfy customer needs. However, a notable 46% (n = 105) remained neutral, and 14% (n = 33) disagreed or strongly disagreed, suggesting some variability in perceptions or actual performance regarding quality delivery. Similarly, 36% (n = 81) agreed and 11% (n = 24) strongly agreed that maintaining high quality has helped build a strong reputation, although 37% (n = 84) were neutral.

Innovation is also seen as a contributor to customer satisfaction and growth, with 29% (n = 65) agreeing and 16% (n = 36) strongly agreeing. Nevertheless, 37% (n = 84) remained neutral, and 19% (n = 42) disagreed to some extent, indicating that innovation is not yet a fully embedded practice across all enterprises.

Technological adoption and competitiveness were viewed more positively: 26% (n = 60) agreed and 25% (n = 57) strongly agreed that their businesses frequently adopt new ideas and technologies. Only 22% (n = 49) were neutral, suggesting that a large share of respondents recognize the strategic value of innovation for competitiveness.

Operational efficiency was also highlighted, with 23% (n = 53) agreeing and 24% (n = 54) strongly agreeing that efficient operations have led to better productivity and customer satisfaction. Similarly, 41% (n = 91) agreed and 13% (n = 29) strongly agreed that streamlining internal processes has enhanced business performance, while 25% (n = 55) remained neutral.

Responsiveness to market changes was affirmed by 33% (n = 76) who agreed and 12% (n = 27) who strongly agreed. However, 36% (n = 82) remained neutral, suggesting that some MSEs may lack the agility or mechanisms to quickly adapt to evolving market conditions. Adaptation to customer needs and industry trends was more favorably viewed, with 35% (n = 79) agreeing and 17% (n = 38) strongly agreeing, indicating a generally customer-focused orientation.

Employee performance also emerged as a contributor to organizational outcomes. A combined 41% (n = 93) remained neutral about employee training and motivation, while 31% (n = 70) agreed and 10% (n = 23) strongly agreed that their staff were both capable and motivated.

Finally, 16% (n = 37) agreed and 22% (n = 49) strongly agreed that strong operational processes have helped maintain a competitive advantage. However, 40% (n = 91) were neutral, reflecting that while some businesses have robust systems, many may still be developing these capabilities. These findings are shown in detail in Table 4.9

Table 4. 9: Responses for Organizational Performance

		Count	Percent
My business consistently delivers high-quality products/services that satisfy customer needs.	Strongly Disagree	3	1%
	Disagree	30	13%
	Neutral	105	46%
	Agree	61	27%
	Strongly Agree	28	12%
	Total	227	100%
Maintaining high product/service quality has helped my business build a strong reputation.	Strongly Disagree	12	5%
	Disagree	26	11%
	Neutral	84	37%
	Agree	81	36%
	Strongly Agree	24	11%
	Total	227	100%
Innovation in products/services has improved customer satisfaction and business growth.	Strongly Disagree	9	4%
	Disagree	33	15%
	Neutral	84	37%
	Agree	65	29%
	Strongly Agree	36	16%
	Total	227	100%
My business frequently adopts new ideas and technologies to remain competitive.	Strongly Disagree	15	7%
	Disagree	46	20%
	Neutral	49	22%
	Agree	60	26%
	Strongly Agree	57	25%
	Total	227	100%
Efficient business operations have contributed to improved productivity and customer satisfaction.	Strongly Disagree	11	5%
	Disagree	51	22%
	Neutral	58	26%
	Agree	53	23%
	Strongly Agree	54	24%
	Total	227	100%
Streamlining internal processes has enhanced the overall performance of my business.	Strongly Disagree	3	1%
	Disagree	46	21%
	Neutral	55	25%
	Agree	91	41%
	Strongly Agree	29	13%
	Total	224	100%
My business responds quickly to market changes, ensuring continuous improvement.	Strongly Disagree	7	3%
	Disagree	35	15%
	Neutral	82	36%
	Agree	76	33%

	Strongly Agree	27	12%
	Total	227	100%
Adapting to customer needs and industry trends has strengthened my business performance.	Strongly Disagree	11	5%
	Disagree	31	14%
	Neutral	68	30%
	Agree	79	35%
	Strongly Agree	38	17%
	Total	227	100%
My employees are well-trained and motivated, contributing to efficient service delivery.	Strongly Disagree	11	5%
	Disagree	30	13%
	Neutral	93	41%
	Agree	70	31%
	Strongly Agree	23	10%
	Total	227	100%
Strong operational processes have helped my business maintain a competitive advantage.	Strongly Disagree	15	7%
	Disagree	35	15%
	Neutral	91	40%
	Agree	37	16%
	Strongly Agree	49	22%
	Total	227	100%

Source: Researcher (2025)

The descriptive statistics for organizational performance, including product/service quality, innovation, operational efficiency, and employee training, are presented in Table 4.10.

For the statement “My business consistently delivers high-quality products/services that satisfy customer needs”, the mean was $M = 3.36$ ($SD = 0.91$). This indicates a general agreement that businesses consistently provide products or services that meet customer expectations. The standard deviation suggests a moderate variability in responses, with some businesses feeling more confident about their quality levels than others.

The item “Maintaining high product/service quality has helped my business build a strong reputation” resulted in $M = 3.35$ ($SD = 0.99$). This reflects a strong agreement that quality maintenance is integral to building a solid reputation. The standard deviation indicates a fair amount of variation in how businesses perceive the impact of quality on their reputation, suggesting that while most businesses agree with the statement, some may feel that other factors also play a role.

For the statement “Innovation in products/services has improved customer satisfaction and business growth”, the mean was $M = 3.38$ ($SD = 1.04$). This score indicates a general agreement

that innovation has a positive effect on customer satisfaction and growth. The standard deviation is relatively high, which suggests that while innovation is considered beneficial by many businesses, the level of impact on satisfaction and growth can vary across enterprises.

The item “My business frequently adopts new ideas and technologies to remain competitive” had a mean of $M = 3.43$ ($SD = 1.25$). This indicates that businesses generally adopt new ideas and technologies to stay competitive. The high standard deviation points to substantial variability in how businesses approach innovation, with some firms embracing technology and new ideas more aggressively than others.

For the statement “Efficient business operations have contributed to improved productivity and customer satisfaction”, the mean was $M = 3.39$ ($SD = 1.21$). This suggests that businesses generally agree that operational efficiency enhances productivity and customer satisfaction. The high standard deviation shows that while many businesses see the benefits of operational efficiency, there are also those who may face challenges in realizing these benefits.

The item “Streamlining internal processes has enhanced the overall performance of my business” scored $M = 3.43$ ($SD = 1.00$). This indicates that businesses strongly agree that streamlining internal processes improves overall performance. The relatively lower standard deviation indicates less variability in responses, suggesting a broad consensus on the positive impact of process streamlining.

For the statement “My business responds quickly to market changes, ensuring continuous improvement”, the mean was $M = 3.36$ ($SD = 0.98$). This score reflects a moderate agreement that businesses are agile in responding to market changes, which supports continuous improvement. The standard deviation is moderate, indicating some variability in how businesses perceive their ability to adapt.

The item “Adapting to customer needs and industry trends has strengthened my business performance” had a mean of $M = 3.45$ ($SD = 1.07$). This reflects strong agreement that adapting to customer needs and industry trends enhances business performance. The standard deviation shows substantial variation in how businesses perceive this adaptation’s effect, suggesting that while many businesses see clear benefits, others may not experience the same degree of success.

For the statement “My employees are well-trained and motivated, contributing to efficient service delivery”, the mean was $M = 3.28$ ($SD = 0.98$). This indicates that businesses moderately agree that employee training and motivation contribute to efficient service delivery. The standard deviation reflects variability, with some businesses investing significantly in employee development, while others may face challenges in this area.

The item “Strong operational processes have helped my business maintain a competitive advantage” resulted in $M = 3.31$ ($SD = 1.16$). This indicates that businesses moderately agree that strong operational processes are critical to maintaining a competitive edge. The high standard deviation suggests variability in how businesses view the effectiveness of their operations in securing a competitive advantage.

The composite score for organizational performance was $M = 3.37$ ($SD = 0.87$). This score suggests that, on average, businesses perceive their organizational performance to be fairly strong. The relatively low standard deviation suggests little variation in organizational performance.

Table 4. 10: Descriptive Statistics for Organizational Performance

	N	Mean	Std. Deviation
My business consistently delivers high-quality products/services that satisfy customer needs.	227	3.36	.907
Maintaining high product/service quality has helped my business build a strong reputation.	227	3.35	.994
Innovation in products/services has improved customer satisfaction and business growth.	227	3.38	1.042
My business frequently adopts new ideas and technologies to remain competitive.	227	3.43	1.247
Efficient business operations have contributed to improved productivity and customer satisfaction.	227	3.39	1.208
Streamlining internal processes has enhanced the overall performance of my business.	224	3.43	1.000
My business responds quickly to market changes, ensuring continuous improvement.	227	3.36	.982
Adapting to customer needs and industry trends has strengthened my business performance.	227	3.45	1.073
My employees are well-trained and motivated, contributing to efficient service delivery.	227	3.28	.982
Strong operational processes have helped my business maintain a competitive advantage.	227	3.31	1.164
Organizational Performance	227	3.3718	.86947
Valid N (listwise)	224		

Source: Researcher (2025)

4.5 Inferential Analysis

4.5.1 Correlations

Access to Finance shows strong positive correlations with all three other variables. The relationship between Access to Finance and Entrepreneurial Orientation is very strong ($r = 0.845$, $p < 0.01$), indicating that businesses with better access to finance are more likely to exhibit higher levels of entrepreneurial orientation. Similarly, Access to Finance is highly correlated with Taxation Policies ($r = 0.838$, $p < 0.01$), suggesting that access to financial resources and favorable taxation policies go hand in hand in supporting business operations. The strongest correlation is observed between Access to Finance and Organizational Performance ($r = 0.921$, $p < 0.01$), indicating that businesses with better access to finance are likely to perform better.

Entrepreneurial Orientation also shows significant positive correlations with the other variables. The correlation between Entrepreneurial Orientation and Taxation Policies is moderate to strong ($r = 0.732$, $p < 0.01$); thus, suggesting that businesses that engage in entrepreneurial activities such as innovation and risk-taking are more likely to benefit from favorable taxation policies. Furthermore, Entrepreneurial Orientation is positively correlated with Organizational Performance ($r = 0.794$, $p < 0.01$). This indicates that businesses with a strong entrepreneurial orientation tend to perform better.

Taxation Policies correlates highly with Organizational Performance ($r = 0.911$, $p < 0.01$). This strong correlation suggests that businesses that benefit from favorable taxation policies tend to exhibit better organizational performance. The relationship highlights the crucial role of taxation policies in supporting business success.

Overall, the findings indicate that access to finance, entrepreneurial orientation, and favorable taxation policies are all closely linked to organizational performance. The positive correlations between these variables suggest that improving access to finance, fostering entrepreneurial behaviors, and optimizing taxation policies could collectively contribute to improved organizational performance. These correlations are presented in Table 4.11.

Table 4. 11: Correlations

	Access to Finance	Entrepreneurial Orientation	Taxation Policies	Organizational Performance
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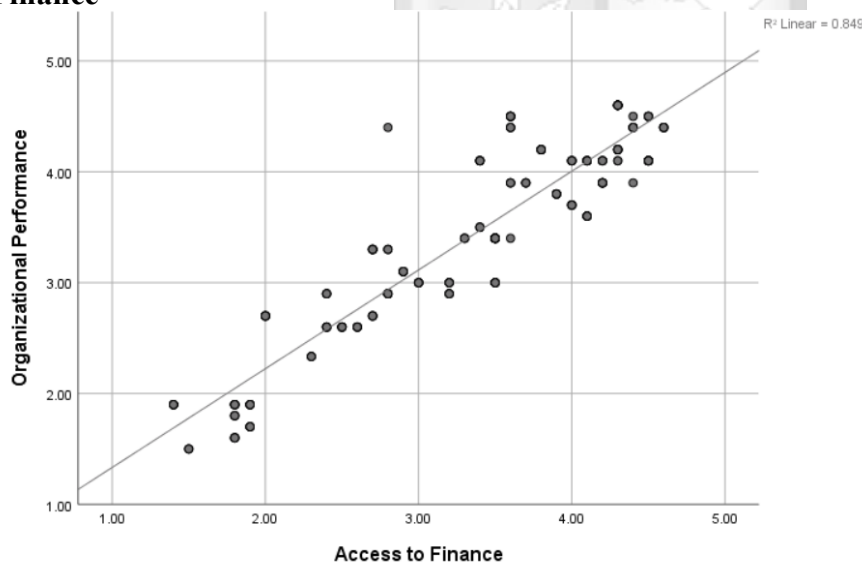
Access to Finance	r	1			
	p				
Entrepreneurial Orientation	r	.845**	1		
	p	.000			
Taxation Policies	r	.838**	.732**	1	
	p	.000	.000		
Organizational Performance	r	.921**	.794**	.911**	1
	p	.000	.000	.000	

Source: Researcher (2025)

4.5.2 Multiple Regression Analysis

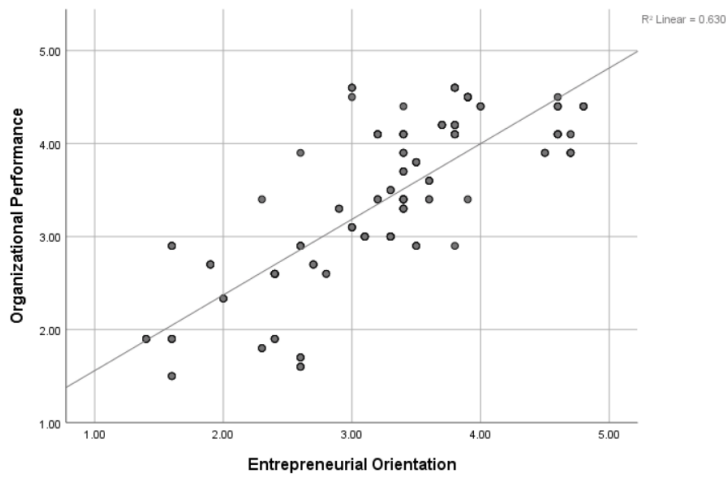
Before running the multiple regression analysis, diagnostic tests were conducted to assess the suitability of the data for the test. Linearity is the first assumption that must be met for multiple linear regression to be performed. This assumption can be tested by using scatter plots. If data points are adjacent to the fit line, the assumption of linearity is met. Figures 4.1, 4.2 and 4.3 proves that the data met the assumption of linearity.

Figure 4. 1: Simple Scatter with Fit Line of Organizational Performance by Access to Finance



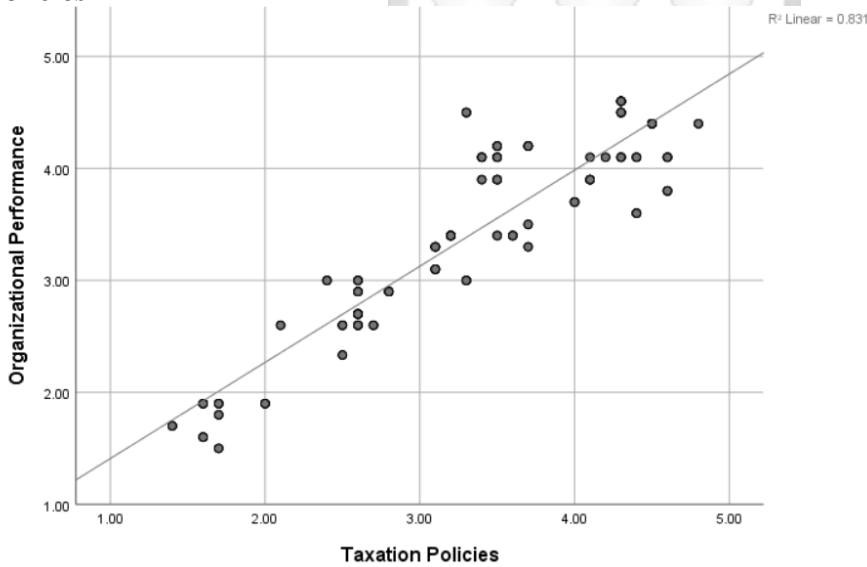
Source: Researcher (2025)

Figure 4. 2: Simple Scatter with Fit Line of Organizational Performance by Entrepreneurial Orientation



Source: Researcher (2025)

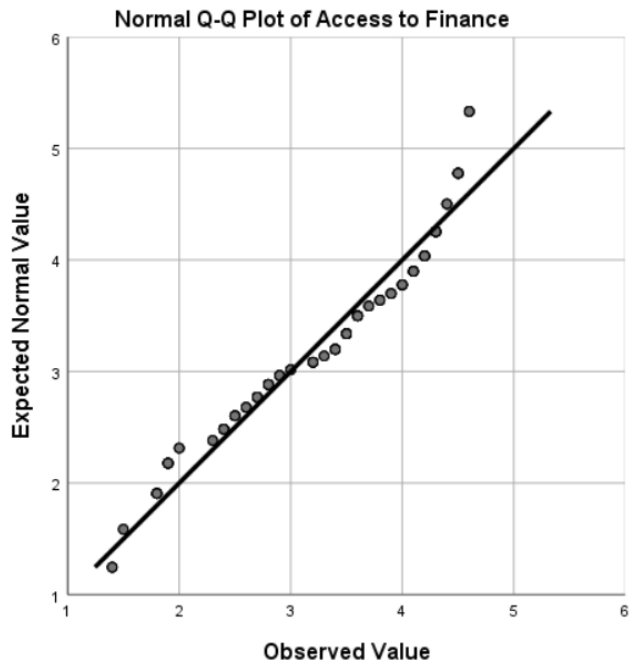
Figure 4. 3: Simple Scatter with Fit Line of Organizational Performance by Taxation Policies



Source: Researcher (2025)

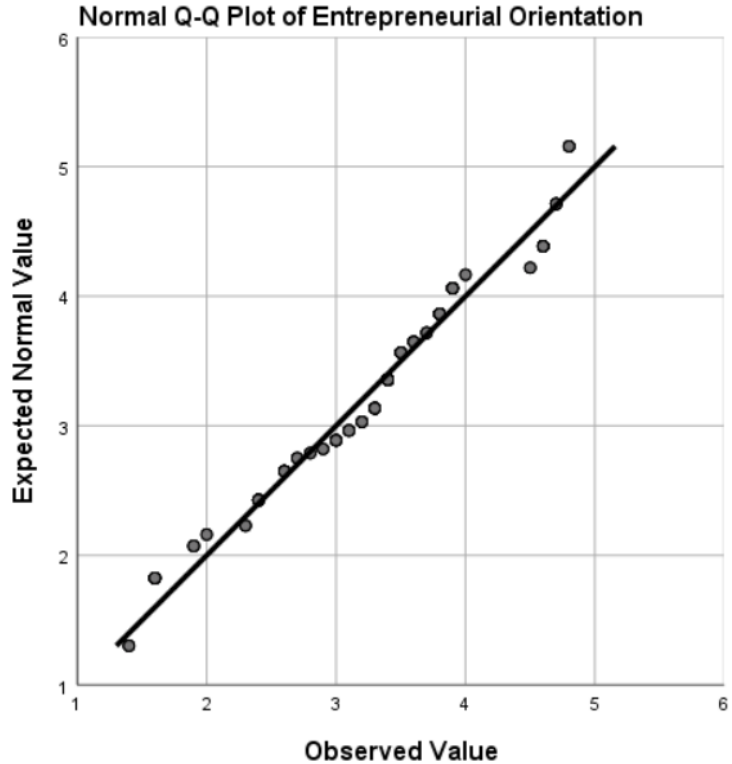
The normality of data constitutes another important assumption that should be met for a multiple linear regression. A Q-Q (quantile-quantile) plot is a graphical tool used to assess whether a dataset follows a normal distribution by comparing the quantiles of the sample data against the quantiles of a theoretical normal distribution. If the data points fall approximately along a straight diagonal line, the data can be considered normally distributed. Deviations from this line indicate departures from normality. Figures 4.4, 4.5, 4.6 and 4.7 show that the data is normally distributed.

Figure 4. 4: Normal Q-Q Plot for Access to Finance



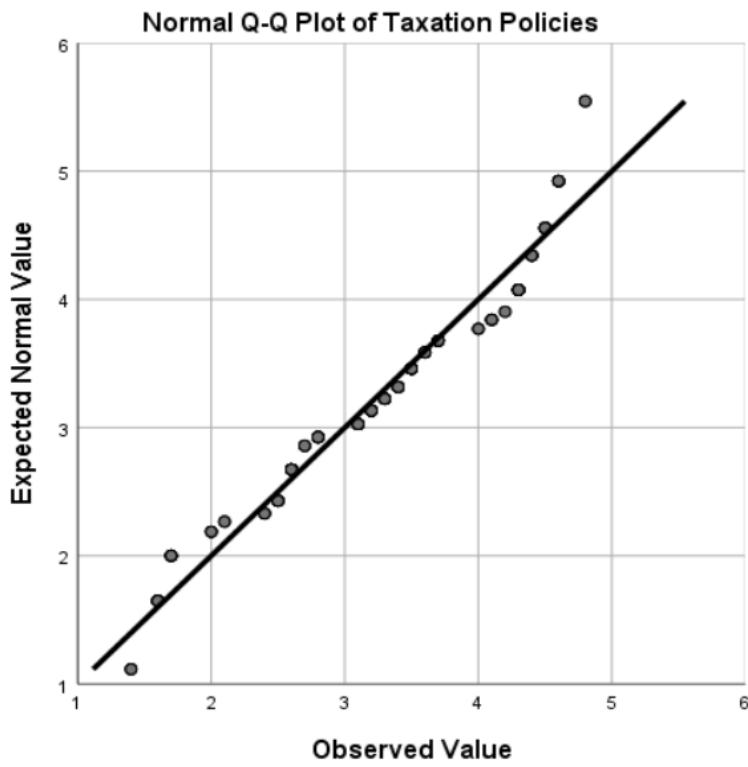
Source: Researcher (2025)

Figure 4. 5: Normal Q-Q Plot for Entrepreneurial Orientation



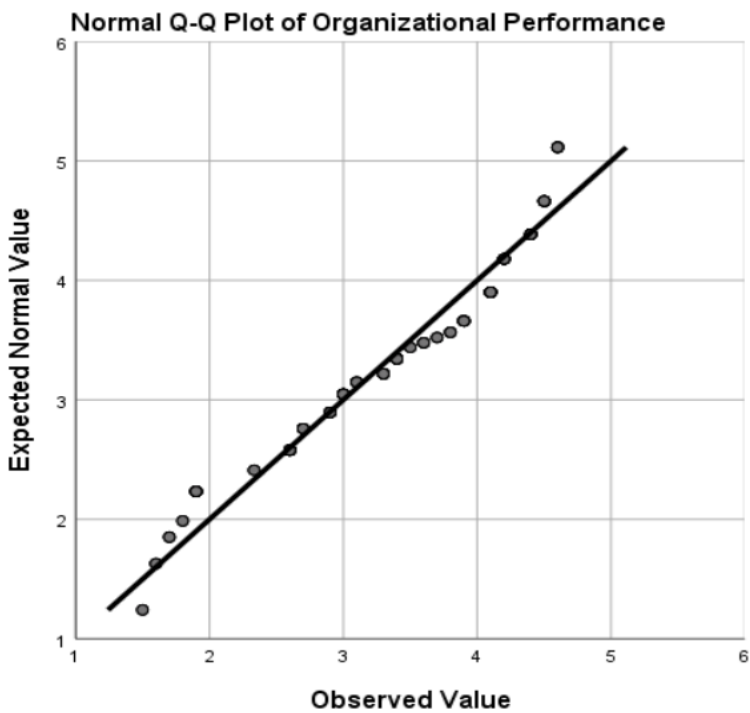
Source: Researcher (2025)

Figure 4. 6: Normal Q-Q plot for Taxation Policies



Source: Researcher (2025)

Figure 4. 7: Normal Q-Q Plot for Organizational Performance



Source: Researcher (2025)

The R value of 0.956 indicates a very strong positive relationship between the predictors (Access to Finance, Entrepreneurial Orientation, and Taxation Policies) and the dependent variable, Organizational Performance (Table 4.12). This suggests that these predictors collectively explain a large portion of the variation in organizational performance. The R Square value of 0.914 means that approximately 91.4% of the variability in organizational performance can be explained by the three predictors. The Adjusted R Square value of 0.913 adjusts for the number of predictors and gives a more accurate measure of how well the model fits the data. The Standard Error of the Estimate is 0.25619, which indicates the average distance between the observed values and the predicted values from the model.

The ANOVA table tests the overall significance of the regression model (Table 4.13). The F-statistic of 793.379 with a p-value of 0.000 confirms that the regression model is highly significant. This means that the independent variables (Access to Finance, Entrepreneurial Orientation, and Taxation Policies) together have a significant impact on Organizational Performance. The large F-statistic and the extremely small p-value indicate that the model explains a substantial amount of the variation in organizational performance.

The Coefficients table presents the regression weights (coefficients) for each predictor in the model and provides insight into how each independent variable influences organizational performance (Table 4.13). The Unstandardized Coefficients (B) show the change in the dependent variable for a one-unit change in each independent variable, while the Standardized Coefficients (Beta) allow for comparison of the relative importance of each predictor.

The constant (intercept) is 0.232, which means that when all independent variables are equal to zero, the predicted organizational performance is 0.232. This provides the baseline level of organizational performance before accounting for the influence of the predictors.

The coefficient for Access to Finance is $B = 0.503$, meaning that for each unit increase in access to finance, organizational performance is expected to increase by 0.503 units. The Beta value of 0.520 indicates that access to finance is a significant predictor of organizational performance. The t-value of 11.331 and the p-value of 0.000 confirm that this relationship is statistically significant.

The coefficient for Entrepreneurial Orientation is $B = 0.617$, which means that a one-unit increase in entrepreneurial orientation is associated with an increase of 0.617 units in organizational performance. The Beta value of 0.685 is the highest among the predictors, indicating that entrepreneurial orientation has the most substantial impact on organizational performance. The t-value of 13.350 and the p-value of 0.000 show that this effect is highly significant.

The coefficient for Taxation Policies is $OB = 0.440$. This means that for each unit increase in favorable taxation policies, organizational performance is expected to increase by 0.440 units. The Beta value of 0.467 indicates a strong relationship with organizational performance. The t-value of 12.957 and the p-value of 0.000 confirm that taxation policies significantly influence organizational performance.

The Tolerance and Variance Inflation Factor (VIF) values are used to assess multicollinearity among the predictors. All tolerance values are above 0.1, and VIF values are below 3, suggesting that multicollinearity is not an issue. This indicates that the predictors are not highly correlated with each other and that the regression results are reliable.

Table 4. 12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.956 ^a	.914	.913	.25619

a. Predictors: (Constant), Taxation Policies, Entrepreneurial Orientation, Access to Finance

Source: Researcher (2025)

Table 4. 13: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	156.217	3	52.072	793.379	.000 ^b
	Residual	14.636	223	.066		
	Total	170.853	226			

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Taxation Policies, Entrepreneurial Orientation, Access to Finance

Source: Researcher (2025)

Table 4. 14: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF

1	(Constant)	.232	.070		3.327	.001		
	Access to Finance	.503	.044	.520	11.331	.000	.183	2.479
	Entrepreneurial Orientation	.617	.038	.685	13.350	.000	.283	2.527
	Taxation Policies	.440	.034	.467	12.957	.000	.296	2.374
a. Dependent Variable: Organizational Performance								

Source: Researcher (2025)

From the regression analysis, the final regression model for predicting organizational performance becomes:

$$OP = 0.232 + 0.503AF + 0.617EO + 0.440TP$$

Where;

OP = Organizational Performance

AF = Access to Finance

EO= Entrepreneurial Orientation

TP = Taxation Policies

4.6 Chapter Summary

This chapter has analyzed and presented the findings from this study. The regression model demonstrates a strong predictive ability for organizational performance, with an R^2 of 0.914, indicating that the model explains 91.4% of the variance in organizational performance. The model is statistically significant ($F = 793.379$, $p < 0.001$). All three predictors, including Access to Finance, Entrepreneurial Orientation, and Taxation Policies, are statistically significant, with Entrepreneurial Orientation having the greatest impact on organizational performance (Beta = 0.685), followed by Access to Finance (Beta = 0.520) and Taxation Policies (Beta = 0.467). The constant (0.232) indicates that when all predictors are absent, the predicted organizational performance is at its baseline level of 0.232. This suggests that businesses with more entrepreneurial orientation, better access to finance, and favorable taxation policies are likely to experience improved organizational performance. The absence of multicollinearity further strengthens the validity of the model.

CHAPTER FIVE

DISCUSSION, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion, conclusion and recommendations. The summary of key findings, discussion of results based on objectives, recommendations, limitations and recommendations for further research are presented in this chapter.

5.2 Summary of Key Findings

The first objective was to examine the influence of access to finance on organizational performance of MSEs. The findings reveal that access to finance has a significant positive influence on the performance of micro and small enterprises. MSEs that are able to access credit facilities, secure loans with favorable collateral and interest terms, and benefit from flexible repayment conditions tend to perform better. Access to alternative sources of financing has also been shown to contribute positively to financial stability and operational continuity. These results suggest that improved financial access supports business growth, productivity, and overall organizational performance.

The second objective was to assess the effect of entrepreneurial orientation on organizational performance. The results indicate that entrepreneurial orientation has a positive influence on the performance of MSE. MSEs that adopt innovative practices, respond quickly to market changes, and maintain a clear strategic vision are more likely to have better performance. A willingness to take calculated financial risks, engage in competitive practices, and adapt to customer preferences contributes to improved performance. These findings demonstrate that a strong entrepreneurial orientation is closely linked to better organizational performance.

The third objective was to determine the effect of taxation policies on organizational performance of MSEs. The study shows that favorable taxation policies contribute positively to the performance of micro and small enterprises. When tax compliance does not place undue strain on financial resources and when fair tax rates are implemented, MSEs perform better. Access to tax incentives, exemptions, and a taxation system that supports rather than hinders small enterprises was found to enhance organizational performance. These findings underscore the importance of a fair and supportive tax environment in promoting the success of MSEs.

5.3 Discussion of Findings

5.3.1 Access to Finance and Organizational Performance

The study's findings demonstrate a positive relationship between access to finance and organizational performance among MSEs in Kamukunji. This aligns closely with the Pecking Order Theory, which posits that firms prioritize internal financing before seeking external debt or equity due to cost and control considerations (Myers & Majluf, 1984). However, the strong dependence on external financing observed in this context suggests that many MSEs in Kamukunji face constraints in generating sufficient retained earnings, likely due to high operational costs, taxation pressures, and competitive market conditions (Yıldırım & Çelik, 2021). This reliance on external funding, despite its associated challenges, underscores the critical role of financial access in sustaining and growing small enterprises in resource-constrained environments.

The Dynamic Capabilities Theory provides further explanatory power for these findings. According to this framework, firms with better access to finance are better positioned to "sense" market opportunities, "seize" them through strategic investments, and "reconfigure" their operations to adapt to changing conditions (Teece et al., 1997). For Kamukunji's MSEs, financial resources likely enable critical activities such as inventory procurement, technology adoption, and workforce expansion, all of which contribute to enhanced performance. This is consistent with Musabayana et al. (2022), who found that SMEs with financial flexibility exhibited greater resilience and adaptability in Zimbabwe. However, the theory's assumption that firms can readily reconfigure resources may not fully account for the structural barriers faced by severely undercapitalized MSEs, such as limited managerial expertise or market access (Gupta & Wales, 2017).

Empirical literature broadly supports the study's findings. For instance, Rajamani et al. (2022) observed that Indian SMEs with better access to external financing experienced higher growth rates, while Lilondo and Kimutai (2023) documented a positive relationship between microfinance services and business performance among Nairobi's MSEs. Similarly, Batrancea et al. (2022) highlighted how limited financial access hindered small business growth in the European Union, particularly in regions with underdeveloped financial systems. However, the study's findings diverge somewhat from these global examples in the mechanisms through which finance is accessed. Unlike formal economies where institutional credit dominates, Kamukunji's MSEs often rely on informal financial networks, including savings groups

(chamas), cooperative societies (SACCOs), and digital lending platforms (Rao et al., 2023). This informal ecosystem may offer more flexible terms and quicker access to funds, potentially explaining the particularly strong correlation observed in this study compared to contexts with rigid banking systems.

Despite these positive linkages, significant challenges persist. High borrowing costs, stringent collateral requirements, and low financial literacy levels continue to constrain many MSEs' ability to leverage external financing effectively (Chilembo, 2021; Chowdhury & Alam, 2017). These barriers are not unique to Kamukunji; similar issues have been documented across developing economies, suggesting systemic limitations in financial inclusion frameworks. The tension between MSEs' need for external capital and the constraints they face in accessing it reinforces the Pecking Order Theory's premise about the hierarchy of financing preferences while highlighting the practical realities of operating in an environment where internal funds are often insufficient.

The findings also intersect with broader debates about the role of financial access in entrepreneurial ecosystems. While some scholars argue that improved financing alone can drive SME growth (Allen et al., 2021), others caution that without complementary interventions, such as business training or market linkages, financial injections may yield limited returns (Ferrucci et al., 2021). This study's results lean toward the former perspective, given the strength of the finance-performance relationship, but they also imply that financial access operates as part of a broader system of enabling factors.

In summary, the study's findings strongly support the Pecking Order Theory while also demonstrating the relevance of the Dynamic Capabilities Theory in understanding how financial resources translate into performance gains. The consistency with prior empirical work underscores the universal importance of financial access for small businesses, while the unique reliance on informal financial mechanisms in Kamukunji adds nuance to this global narrative. Future research could further explore how different types of financial access, such as formal write in full vs. informal, or debt vs. equity, interact with firm-level characteristics to shape performance outcomes.

5.3.2 Entrepreneurial Orientation and Organizational Performance

The study identified entrepreneurial orientation (EO) as the most influential predictor of organizational performance among Kamukunji's MSEs. This finding resonates strongly with

the Dynamic Capabilities Theory, which emphasizes innovation, proactive market strategies, and risk-taking as key drivers of competitive advantage in dynamic environments (Teece et al., 1997). Firms with high EO are better equipped to "sense" emerging opportunities, such as shifts in consumer demand or technological advancements, and "seize" them through timely action, whether through new product development, market expansion, or operational improvements. The study's results suggest that Kamukunji's MSEs with strong entrepreneurial orientations are more likely to engage in such adaptive behaviors, thereby achieving superior performance.

This aligns with a growing body of empirical evidence. For example, Kilungu (2021) found that Nairobi-based SMEs exhibiting high levels of innovativeness, proactiveness, and risk-taking consistently outperformed their less entrepreneurial counterparts. Similarly, Gomes et al. (2021) demonstrated that Brazilian SMEs with robust EO profiles were more resilient to economic fluctuations and better positioned to capitalize on new opportunities. The consistency of these findings across diverse contexts underscores the universal relevance of EO as a performance driver. However, the study also reveals nuances specific to Kamukunji's informal economy, where incremental innovation and tactical risk-taking may be more prevalent than radical, disruptive strategies.

The Pecking Order Theory offers a complementary lens for understanding these findings, particularly regarding the risk-taking dimension of EO. While the theory primarily addresses financing hierarchies, its underlying logic that firms seek to minimize costs and retain control, can extend to strategic decision-making. For instance, MSEs with strong EO may be more willing to take calculated risks, such as securing debt for expansion, because they are confident in their ability to generate returns (Berisha & Pula, 2015). However, the theory's assumption of risk aversion in financing decisions may conflict with the proactive risk-taking observed in high-EO firms suggesting that EO moderates traditional financing behaviors.

Empirical studies highlight both the promises and challenges of EO. On one hand, research consistently links EO to positive outcomes, such as increased sales, customer retention, and market share (Aliyu et al., 2022; Nyello & Kalufya, 2021). On the other hand, contextual factors, such as regulatory environments or industry competition, can mediate its impact. For example, Arabeche et al. (2022) found that while proactiveness and innovativeness strongly predicted SME performance in Algeria, risk-taking had a weaker effect possibly due to market volatility. Similarly, Mozumdar et al. (2022) noted that women entrepreneurs in Bangladesh often exhibited risk aversion; thus, limiting their ability to fully capitalize on EO's benefits.

These nuances suggest that while EO is a powerful performance lever, its efficacy depends on both internal capabilities and external enabling conditions.

The study's findings also intersect with discussions about the measurement of EO. Traditional frameworks emphasize three core dimensions—innovativeness, proactiveness, and risk-taking (Lumpkin & Dess, 1996); however, recent scholarship argues for including additional facets, such as competitive aggressiveness and autonomy (Covin & Wales, 2019). The strong performance correlation observed in this study may reflect these broader dimensions, particularly in Kamukunji's highly competitive informal sector, where aggressive pricing and rapid adaptation are often necessary for survival.

In summary, the study's findings support the Dynamic Capabilities Theory, and show how entrepreneurial behaviors enable MSEs to navigate uncertainty and exploit opportunities. The partial alignment with the Pecking Order Theory highlights the interplay between strategic risk-taking and financial decision-making, while empirical comparisons reveal both universal patterns and context-specific nuances. Future research could delve deeper into how institutional and cultural factors shape the expression and impact of EO across different segments of Kamukunji's MSE sector.

5.3.3 Taxation Policies and Organizational Performance

The study's findings reveal a significant and multifaceted relationship between taxation policies and organizational performance among MSEs in Kamukunji. This relationship is best understood through the lens of the Dynamic Capabilities Theory (DCT), which emphasizes how firms must continuously adapt to external regulatory environments to maintain competitiveness (Teece et al., 1997). Taxation policies, as a critical external factor, influence MSE performance through three key mechanisms: compliance costs, cash flow constraints, and strategic adaptation. Firms that effectively "sense" tax obligations through awareness of incentives or changes in fiscal policy, "seize" opportunities to optimize their tax burden by leveraging exemptions or reinvesting tax savings, and "transform" their operations by adopting digital record-keeping or formalizing their business structures, are better positioned to mitigate the adverse effects of taxation and enhance their performance.

The Pecking Order Theory (POT) provides additional insight into how taxation impacts MSE financing decisions. High tax burdens reduce retained earnings, which is the most preferred source of financing under POT; thus, forcing firms to rely on more costly external financing

options (Myers & Majluf, 1984). This dynamic is particularly pronounced in Kamukunji, where many MSEs operate with narrow profit margins. For instance, businesses facing steep corporate tax rates or complex compliance requirements may divert funds from growth investments, such as equipment upgrades or workforce training, to meet tax obligations, thereby stifling performance. Conversely, favorable tax policies, such as reduced rates for small businesses or simplified filing procedures, can free up capital for reinvestment, aligning with POT's emphasis on internal financing as a driver of sustainable growth.

Empirical literature offers mixed but largely supportive evidence for these findings. On one hand, studies like Yadewani et al. (2024) demonstrate that SME-friendly tax policies in Indonesia significantly enhanced business sustainability by reducing administrative burdens and freeing up resources for innovation. Similarly, Jacob (2022) found that high corporate tax rates discouraged investment among small firms, while tax incentives stimulated growth. On the other hand, research in contexts with weak tax enforcement, such as Zimbabwe, where Musabayana et al. (2022) reveals that many MSEs resort to informality to evade taxes, undermining long-term performance by limiting access to formal credit and government support. This duality underscores the context-dependent nature of taxation's impact: while well-designed policies can foster growth, poorly implemented ones may drive businesses into the informal sector or exacerbate financial strain.

The study's findings also intersect with broader debates about tax compliance and its implications for MSE performance. For example, Eberhartinger and Zieser (2021) found that Austrian SMEs spent a significant portion of revenue on compliance costs, such as accounting fees and audit preparation, which reduced operational efficiency. In contrast, Alshira'h et al. (2020) showed that Jordanian SMEs with strong compliance practices achieved higher profitability, as they avoided penalties and qualified for government contracts. Kamukunji's MSEs likely face similar trade-offs: while compliance may strain resources, non-compliance risks fines or exclusion from formal markets. The strong correlation between favorable tax policies and performance in this study suggests that policies reducing compliance costs could significantly enhance MSE resilience.

The study's results align closely with findings from similar economies but also highlight unique aspects of Kamukunji's informal sector. For instance, Njeru (2018) reported that tax incentives for small businesses in Embu County improved formalization and performance, mirroring the Kamukunji findings. In China, Xiang et al. (2022), reported that excessive taxation and unclear

policies hindered SME growth, echoing the challenges faced by Kamukunji's MSEs. In Nigeria, Dosumu et al. (2020) showed that SMEs benefited from government policies that combined tax relief with infrastructure support, which suggests that taxation reforms are most effective when paired with broader business-enabling measures.

However, Kamukunji's informal economy adds complexity. Unlike formal SMEs that may lobby for policy changes or access tax advisory services, many MSEs in Kamukunji operate with minimal legal recognition; thus, limiting their ability to navigate or influence tax regimes. This informal status may explain why the study found such a strong performance correlation with favorable tax conditions: formalizing operations (and thus becoming eligible for tax benefits) represents a significant competitive advantage.

5.4 Recommendations

5.4.1 Policy Recommendations

The study's findings suggest several policy recommendations to enhance the performance of MSEs in Kamukunji. First, the results show that access to finance can enhance organizational performance of MSEs. Therefore, policies focusing on financial inclusion initiatives should be expanded, including tailored microfinance programs and alternative collateral options, to address the persistent barriers to credit access identified in the study. Financial regulators, such as the Central Bank of Kenya and the Micro and Small Enterprises Authority (MSEA), should collaborate with financial institutions to develop tailored financial products for MSEs. This may include unsecured microloans, credit guarantee schemes, and reduced interest loan programs targeting informal businesses.

Second, entrepreneurship development programs should be prioritized in policy to foster innovativeness, risk-taking, and proactive strategies among MSE owners, given the strong influence of entrepreneurial orientation on performance. County governments, especially Nairobi County, should offer localized training, mentorship, and incubation programs to strengthen entrepreneurial orientation among MSEs. Such programs should focus on innovation, strategic planning, and risk management.

Third, tax policy reforms are needed to simplify compliance procedures, introduce tiered tax rates for small businesses, and provide incentives for formalization, thereby reducing the administrative and financial burdens that currently constrain MSE growth. The Kenya Revenue Authority (KRA) should streamline the tax registration and filing processes for MSEs by

leveraging digital platforms, mobile-based tax tools, and simplified tax regimes (e.g., turnover tax). Policy reforms should also expand access to tax incentives, particularly for startups and youth-led enterprises.

5.4.2 Managerial Recommendations

The study's findings yield several managerial recommendations for MSEs in Kamukunji. First, managers should prioritize financial management strategies, including maintaining accurate financial records and exploring diverse funding sources, in order to enhance access to finance for MSEs. MSE owners and managers should prioritize improving their understanding of financial management. This includes budgeting, savings discipline, and strategic use of credit, which can improve creditworthiness and reduce dependency on informal financing.

Second, entrepreneurial orientation should be institutionalized through continuous innovation, calculated risk-taking, and proactive market scanning, since these capabilities proved most critical for performance. Managers and owners of MSEs should focus on improving their entrepreneurial capabilities in order to enhance the performance of their businesses. Business owners should adopt proactive, innovative, and risk-taking approaches to stay competitive. Simple strategies such as product diversification, customer feedback systems, and lean experimentation can improve adaptability and long-term performance.

Third, managers must develop tax compliance strategies in to optimize their tax burden while avoiding penalties. Although formalization is perceived as costly, it can unlock access to credit, training, and government support programs. MSEs should be encouraged to evaluate the long-term benefits of formalization against short-term costs.

5.4.3 Theoretical Recommendations

The study's findings suggest several theoretical advancements for understanding MSE performance in emerging economies. First, the Pecking Order Theory should be extended to incorporate institutional factors like informal lending networks and tax regimes that reshape traditional financing hierarchies in resource-constrained contexts. Second, the Dynamic Capabilities Theory requires adaptation to better explain capability development pathways for MSEs, particularly how sensing-seizing-reconfiguring processes operate under severe financial and regulatory constraints. Third, future frameworks should develop an integrated tax-performance theory that accounts for taxation's dual role as both a fiscal obligation and potential strategic lever.

5.5 Study Limitations

This study has several limitations that should be considered when interpreting its findings. As a descriptive cross-sectional survey, the research design captures only a snapshot of relationships at a single point in time, preventing causal inferences about how the studied variables influence organizational performance over time. The study's focus on MSEs in Kamukunji, while valuable for understanding this specific context, limits the generalizability of findings to other regions or business sectors with different economic, cultural, or regulatory environments. Additionally, the reliance on self-report questionnaires introduces potential biases, such as social desirability bias or recall inaccuracies, particularly when assessing sensitive topics like taxation practices or financial constraints. The use of subjective performance measures, especially owner-reported assessments, rather than objective metrics may further affect the validity of the results. Also, the use of convenience sampling may introduce sampling bias, as participants were selected based on their availability and willingness to respond rather than through random selection. Although efforts were made to include diverse business types and sectors, the findings may not be fully generalizable to all MSEs in Nairobi County or Kenya as a whole. These methodological and contextual constraints suggest that while the findings provide meaningful insights into Kamukunji's MSE ecosystem, they should be applied cautiously to other settings.

5.6 Suggestions for Further Research

Future research should address the limitations of this study through longitudinal designs to establish causal relationships regarding MSE performance. Additionally, expanding the geographical scope beyond Kamukunji would enhance the generalizability of findings while mixed-methods approaches, such as combining surveys with financial records or interviews, could mitigate self-report biases and enrich data validity. Comparative studies across different sectors (such as manufacturing vs. retail) and ownership types (such as female-led vs. male-led MSEs) would clarify contextual variations in how finance, entrepreneurship, and taxation interact.

5.7 Chapter Summary

This study examined the determinants of organizational performance among MSEs in Kamukunji, Nairobi County, focusing on access to finance, entrepreneurial orientation, and taxation policies. The findings revealed that access to finance had the strongest correlation with

performance, underscoring its critical role in enabling business growth and operational flexibility. Entrepreneurial orientation emerged as the most influential predictor, highlighting the importance of innovation, proactiveness, and risk-taking in driving competitive advantage. Taxation policies also significantly impacted performance, with favorable tax conditions enhancing MSE sustainability, while burdensome regulations constrained growth. These findings imply that policymakers should prioritize financial inclusion programs, entrepreneurship training, and tax reforms tailored to MSE needs while managers should prioritize financial management strategies, focus on improving their entrepreneurial capabilities, and develop tax compliance strategies.



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APPENDICES

Appendix I: Letter of Introduction

You are invited to participate in a research study titled "Determinants of Organizational Performance of Micro and Small Enterprises in the Kamukunji Area, Nairobi County." This study is being conducted by Edwin Macharia from Strathmore University (Email: edwin.mwangi@strathmore.edu, Phone: 0723804124).

The purpose of this research is to examine the factors that influence the performance of micro and small enterprises (MSEs) in Kamukunji, with a focus on access to finance, entrepreneurial orientation, and taxation policies. Your participation will provide valuable insights that can help improve policies and support systems for small businesses. If you have any concerns or need clarification, you may contact the researcher using the provided email or phone number.

If you choose to participate, you will be required to complete a questionnaire, which will take approximately 10-20 minutes. All responses will be handled with the highest level of confidentiality, and your information will not be disclosed to any third party. This study is strictly for academic purposes.

Participation in this study is entirely voluntary, and you are not obligated to answer all the questions.

For any inquiries, please reach out to Edwin Macharia at 0723804124 or via email at edwin.mwangi@strathmore.edu.

Thank you for your time and participation.

Sincerely,

Edwin Macharia

Strathmore University

Appendix II: Participant Information and Informed Consent

English Version

**PARTICIPANT INFORMATION AND CONSENT FORM
DETERMINANTS OF ORGANIZATIONAL PERFORMANCE OF MICRO AND SMALL ENTERPRISES IN THE
KAMUKUNJI AREA, NAIROBI COUNTY, KENYA**

SECTION 1: INFORMATION SHEET

Investigator: EDWIN MACHARIA

Institutional affiliation: Strathmore Business School (SBS)

SECTION 2: INFORMATION SHEET–THE STUDY

2.1: Why is this study being carried out?

this study seeks to investigate the factors that determine the organizational performance of MSEs in Kamukunji, Nairobi County.

2.2: Do I have to take part?

No. Taking part in this study is entirely optional and the decision rests only with you. If you decide to take part, you will be asked to complete a questionnaire to get information on the factors that determine the organizational performance of MSEs in Kamukunji, Nairobi County. If you are not able to answer all the questions successfully the first time, you may be asked to sit through another informational session after which you may be asked to answer the questions a second time. You are free to decline to take part in the study from this study at any time without giving any reasons.

2.3: Who is eligible to take part in this study?

Respondents will consist of owners or managers of MSEs in Kamukunji area, aged 18 years and above, and do not have any cognitive impairments or disabilities.

2.4: Who is not eligible to take part in this study?

Owners of MSEs outside Kamukunji areas, those below 18 years and those having cognitive impairments or disabilities.

2.5: What will taking part in this study involve for me?

You will be approached by a research assistant on behalf of Edwin Macharia and requested to take part in the study. If you are satisfied that you fully understand the goals behind this study, you will be asked to sign the informed consent form (this form) and then taken through a questionnaire to complete.

2.6: Are there any risks or dangers in taking part in this study?

There are no risks in taking part in this study. All the information you provide will be treated as confidential and will not be used in any way without your express permission.

2.7: Are there any benefits of taking part in this study?

The information will be used to develop insights to improve the operational performance of MSEs in the Kamukunji area.

2.8 : What will happen to me if I refuse to take part in this study?

Participation in this study is entirely voluntary. Even if you decide to take part at first but later change your mind, you are free to withdraw at any time without explanation.

2.9 : Who will have access to my information during this research?

All research records will be stored in securely locked cabinets. That information may be transcribed into our database but this will be sufficiently encrypted and password protected. Only the people who are closely concerned with this study will have access to your information. All your information will be kept confidential.

2.10 : Who can I contact in case I have further questions?

You can contact me, **EDWIN MWANGI** at SBS, or by e-mail edwin.mwangi@strathmore.edu or by phone (+254 723 804 124). You can also contact my supervisor, **Dr. Sarah Muigai**, at the Strathmore Business School, Nairobi, or by e-mail smuigai@strathmore.edu or by phone (+254 734 607 753)

If you want to ask someone independent anything about this research, please contact:

The Secretary–Strathmore University Institutional Ethics Review Board, P. O. BOX 59857, 00200, Nairobi, email ethicsreview@strathmore.edu Tel number: +254 703 034 375

I, _____, have had the study explained to me. I have understood all that I have read and have had explained to me and had my questions answered satisfactorily. I understand that I can change my mind at any stage.

Please tick the boxes that apply to you;

Participation in the research study

I AGREE to take part in this research.

I DO NOT AGREE to take part in this research.

Storage of information on the completed questionnaire

I AGREE to have my completed questionnaire stored for future data analysis

I DON'T AGREE to have my completed questionnaire stored for future data analysis.

Participant's Signature:

Date: ____/____/.

DD / MM / YEAR

Participant's Name:

(Please print name)

Time: ____/____

HR / MN

I, _____ (Name of person taking consent) certify that I have followed the SOP for this study and have explained the study information to the study participant named above, and that s/he has understood the nature and the purpose of the study and consents to the participation in the study. S/he has been given opportunity to ask questions which have been answered satisfactorily.

For participants who are unable to read this document, an impartial witness will read and explain the consent form in a language they understand. The participant may then provide verbal consent, which will be documented below. If the participant cannot sign, they may provide a thumbprint, and the witness will sign on their behalf."

Participant's Signature/Thumbprint:

Date: ____/____/.

DD / MM / YEAR

Participant's Name:

(Please print name)

Time: ____/____

HR / MN

Investigator's Signature:

Date: ____/____/.

DD / MM / YEAR

Investigator's Name:

(Please print name)

Time: ____/____

HR / MN

Kiswahili Version

FOMU YA TAARIFA NA RIDHAA YA MSHIRIKI

SEHEMU YA 1: KIBALI CHA TAARIFA KWA WASHIRIKI

Jina la Utafiti: Vigezo Vinavyoathiri Utendaji wa Biashara Ndogo na za Kati (MSEs) katika Eneo la Kamukunji, Kaunti ya Nairobi, Kenya.

Mtafiti: Edwin Macharia

Taasisi: Chuo cha Biashara cha Strathmore (SBS)

SEHEMU YA 2: MAELEZO KUHUSU UTAFITI

2.1: Kwa nini utafiti huu unafanyika?

Utafiti huu unalenga kuchunguza vigezo vinavyoathiri utendaji wa biashara ndogo na za kati (MSEs) katika eneo la Kamukunji, Kaunti ya Nairobi.

2.2: Je, lazima nichukue sehemu katika utafiti huu?

Hapana. Kushiriki katika utafiti huu ni kwa hiari yako kabisa, na uamuzi ni wako...

2.3: Nani anastahili kushiriki katika utafiti huu?

Washiriki wanapaswa kuwa wamiliki au mameneja wa biashara ndogo na za kati (MSEs) katika eneo la Kamukunji...

2.4: Nani hastahili kushiriki katika utafiti huu?

Wale ambao si wamiliki wa biashara katika Kamukunji, walio chini ya miaka 18, au wenye matatizo ya kiakili...

2.5: Kushiriki katika utafiti huu kutahusisha nini?

Mtafiti atakufikia kupitia msaidizi wa utafiti kwa niaba ya Edwin Macharia na kukuomba kushiriki...

2.6: Je, kuna hatari yoyote au madhara ya kushiriki katika utafiti huu?

Hakuna hatari yoyote inayohusiana na kushiriki katika utafiti huu...

2.7: Kuna manufaa yoyote ya kushiriki katika utafiti huu?

Matokeo ya utafiti huu yatatumika kusaidia kuboresha utendaji wa biashara ndogo na za kati...

2.8: Nini kitatokea nikikataa kushiriki katika utafiti huu?

Kushiriki ni kwa hiari kabisa. Ikiwa utachagua kushiriki lakini baadaye ukabadili mawazo...

2.9: Nani atapata ufikiaji wa taarifa zangu wakati wa utafiti?

Taarifa zote zitahifadhiwa katika kabati zilizo salama na pia zitawekwa kwenye hifadhidata...

2.10: Nani naweza kuwasiliana naye iwapo nina maswali zaidi?

Unaweza kuwasiliana nami, Edwin Mwangi, katika SBS, kwa barua pepe
edwin.mwangi@strathmore.edu...

FOMU YA RIDHAA YA MSHIRIKI

Nimeeleza kuhusu utafiti huu. Nimeeleza kila kitu nilichosoma...

Tafadhali weka alama kwenye kisanduku kinachokufaa:

- NINAKUBALI kushiriki katika utafiti huu.
- SIJAKUBALI kushiriki katika utafiti huu.
- NINAKUBALI dodoso langu lililojazwa lihifadhiwe kwa uchanganuzi wa data wa baadaye.
- SIJAKUBALI dodoso langu lililojazwa lihifadhiwe kwa uchanganuzi wa data wa baadaye.

Jina la Mshiriki: _____

Sahihi ya Mshiriki: _____

Tarehe: ___/___/___ Saa: ___:___

Kwa Washiriki Wasioweza Kusoma au Kusaini

Ikiwa mshiriki hawezi kusoma au kusaini fomu hii, fomu itasomwa kwa sauti na shahidi huru atathibitisha kuwa mshiriki amepewa maelezo yote na anakubali kushiriki katika utafiti huu kwa hiari yake.

Ruhusa ya Mshiriki Imepokelewa Kwa Maneno:

Ndiyo Hapana

Mshiriki ametoa alama ya kidole badala ya sahihi:

Ndiyo Hapana

Sahihi za Uthibitisho

Jina la Mshiriki: _____

Alama ya Kidole (ikiwa mshiriki hawezi kusaini): _____

Sahihi ya Shahidi (ikiwa inahitajika): _____

Jina la Shahidi: _____

Tarehe: //___ Saa: :

Sahihi ya Mtafiti: _____

Jina la Mtafiti: _____

Tarehe: //___ Saa: :

Appendix III: Ethical Approval and NACOSTI License



26th March 2025

Mr Macharia Edwin,
edwin.mwangi@strathmore.edu

Dear Mr Macharia,

RE: Determinants of Organizational Performance of Micro and Small Enterprises in the Kamukunji Area, Nairobi County, Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** proposal. Your application reference number is **SU-ISERC2735/25**. The approval period is from **26th March 2025 to 25th March 2026**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Ambrose Rachier".

**Mr Ambrose Rachier,
Chairperson; SU-ISERC**

Appendix IV: Questionnaire

English version

This data collection tool assesses the determinants of SMEs' performance in the Kamukunji trading center. Please fill it by ticking your appropriate response. The data will be exclusively used for scholarly purposes.

Section A: Demographic Information

1. Please select your gender

Male

Female

2. Please select your age bracket

18-25 25 Years

26-35 Years

36-45 Years

46-55 Years

56 Years and Above

3. Please select your education level

Primary

Secondary

College/ Tertiary

Bachelor's Degree

Master's Degree

Other Specify _____

4. What is the duration of your business operations?

5 Years and Below

6-15Years

16-25 Years

26 Years and Above

5. Please indicate your position in the business

Owner ()

Manager ()

Section B: Factors Affecting the Performance of SMEs in Kenya

Please evaluate the statements provided using the following scale: strongly disagree, D-disagree, N-neutral, A-agree, and SA- strongly agree.

	SD	D	N	A	SA
Access to Finance					
Easy access to credit from financial institutions has positively impacted the growth of my business.					
The availability of financial products tailored to small businesses has improved my business operations.					
Affordable interest rates on business loans have enabled my enterprise to expand.					
Favorable interest rates have not limited my ability to invest in business growth.					
Meeting collateral requirements allows my business to secure funding for expansion.					
Favorable collateral demands have helped me access necessary financing and improve the performance of my business.					
Access to alternative financing sources has improved the financial stability of my business.					
Alternative financing options have enabled my business to maintain operations and improve productivity.					
Flexible loan repayment terms have helped my business manage its finances effectively.					
Favorable loan repayment conditions have positively affected my business performance.					

	SD	D	N	A	SA
Entrepreneurial Orientation					
Introducing new products or services has contributed to the growth of my business.					
My business frequently adopts innovative solutions to improve efficiency and customer satisfaction.					
Taking financial risks has led to significant business growth and expansion.					
My willingness to take calculated risks has helped my business seize new opportunities.					
Competing aggressively in the market has improved my business performance.					
My business actively responds to competitors' strategies to maintain a competitive edge.					
The ability to adapt to changing market conditions has positively influenced my business success.					
My business quickly adjusts to customer preferences and industry trends to remain relevant.					

Having a clear strategic vision has guided my business toward sustainable growth.					
A well-defined long-term vision has enabled my business to achieve its performance goals.					

	SD	D	N	A	SA
Taxation Policies					
The tax compliance does not affect the profitability of my business.					
Compliance costs do not reduce the financial resources available for business growth.					
Tax incentives provided by the government have positively impacted my business performance.					
My business has benefited from tax exemptions or reductions that support small enterprises.					
The taxation system is fair and does not place an excessive burden on my small business					
I believe fair taxation policies have helped me in expanding my business.					
Fair tax rates do not seem to reduce consumer demand for my products or services					
If goods and services are taxed fairly, I believe my sales revenue and profitability can increase.					
Penalties and fines are not extremely severe that they can disrupt my business operations					
Penalties for tax non-compliance do not cause significant strain my business finances.					

Section C: Organizational Performance

Please evaluate the statements provided using the following scale: strongly disagree, D-disagree, N-neutral, A-agree, and SA- strongly agree.

	SD	D	N	A	SA
Organizational Performance					
My business consistently delivers high-quality products/services that satisfy customer needs.					
Maintaining high product/service quality has helped my business build a strong reputation.					
Innovation in products/services has improved customer satisfaction and business growth.					
My business frequently adopts new ideas and technologies to remain competitive.					
Efficient business operations have contributed to improved productivity and customer satisfaction.					
Streamlining internal processes has enhanced the overall performance of my business.					
My business responds quickly to market changes, ensuring continuous improvement.					

Adapting to customer needs and industry trends has strengthened my business performance.					
My employees are well-trained and motivated, contributing to efficient service delivery.					
Strong operational processes have helped my business maintain a competitive advantage.					

Thank You



Kiswahili Version

Chombo hiki cha ukusanyaji wa data kinatathmini vigezo vinavyoathiri utendaji wa biashara ndogo na za kati (SMEs) katika kituo cha biashara cha Kamukunji. Tafadhali jaza kwa kuweka alama kwenye jibu linalokufaa. Data hii itatumika kwa madhumuni ya kitaaluma pekee.

Sehemu A: Taarifa za Kidemografia

1. Tafadhali chagua jinsia yako
Mwanaume ()
Mwanamke ()
2. Tafadhali chagua kundi lako la umri
Miaka 25 na Chini ()
Miaka 26-35 ()
Miaka 36-45 ()
Miaka 46-55 ()
Miaka 56 na Zaidi ()
3. Tafadhali chagua kiwango chako cha elimu
Elimu ya Msingi ()
Elimu ya Sekondari ()
Chuo/ Elimu ya Juu ()
Shahada ya Kwanza ()
Nyingine () Tafadhali eleza _____
4. Ni kwa muda gani biashara yako imekuwepo?

Miaka 5 na Chini ()
Miaka 6-15 ()
Miaka 16-25 ()
Miaka 26 na Zaidi ()
5. Tafadhali taja nafasi yako katika biashara
Mmiliki ()
Meneja ()

Sehemu B: Vigezo Vinavyoathiri Utendaji wa Biashara Ndogo na za Kati (SMEs) Nchini Kenya

Tafadhali tathmini kauli zilizotolewa kwa kutumia mizani ifuatayo:
SD- Sikubaliani Kabisa, **D-** Sikubaliani, **N-** Sina Maoni, **A-** Nakubaliana, **SA-** Nakubaliana Kabisa

Upatikanaji wa Fedha

	SD	D	N	A	SA
Upatikanaji rahisi wa mikopo kutoka taasisi za kifedha umechangia ukuaji wa biashara yangu.					
Upatikanaji wa bidhaa za kifedha zinazolenga biashara ndogo umeimarisha uendeshaji wa biashara yangu.					
Viwango vya riba nafuu kwenye mikopo ya biashara vimewezesha biashara yangu kupanuka.					
Viwango vya juu vya riba vimezuia uwekezaji katika ukuaji wa biashara yangu.					
Kuweza kukidhi masharti ya dhamana kunanisaidia kupata ufadhili wa upanuzi wa biashara.					
Mahitaji makali ya dhamana yamezuia biashara yangu kupata ufadhili wa kutosha, hivyo kuathiri utendaji wake.					
Upatikanaji wa vyanzo mbadala vya fedha umeimarisha uthabiti wa kifedha wa biashara yangu.					
Chaguzi mbadala za ufadhili zimewezesha biashara yangu kuendelea na kuboresha uzalishaji.					
Masharti rahisi ya ulipaji wa mikopo yamenisaidia kusimamia fedha za biashara yangu kwa ufanisi.					
Masharti magumu ya ulipaji wa mikopo yameathiri vibaya utendaji wa biashara yangu.					

Mwelekeo wa Ujasiriamali

	SD	D	N	A	SA
Utangulizi wa bidhaa au huduma mpya umechangia ukuaji wa biashara yangu.					
Biashara yangu mara kwa mara inatumia ubunifu ili kuboresha ufanisi na kuridhisha wateja.					
Kuchukua hatari za kifedha kumepelekea ukuaji mkubwa wa biashara yangu.					

Uwezo wangu wa kuchukua hatari zilizokadiriwa umeisaidia biashara yangu kutumia fursa mpya.					
Ushindani mkali sokoni umeimarisha utendaji wa biashara yangu.					
Biashara yangu hujibu haraka mikakati ya washindani ili kudumisha ushindani.					
Uwezo wa kuzoea mabadiliko ya soko umeathiri kwa njia chanya mafanikio ya biashara yangu.					
Biashara yangu hubadilika haraka kulingana na mahitaji ya wateja na mitindo ya sekta.					
Kuwa na maono wazi ya kimkakati kumeielekeza biashara yangu kuelekea ukuaji endelevu.					
Maono ya muda mrefu yaliyoelezwa vizuri yamewezesha biashara yangu kufikia malengo yake ya utendaji.					

Sera za Ushuru

	SD	D	N	A	SA
Mzigo wa kufuata sheria za ushuru unaathiri faida ya biashara yangu.	()	()	()	()	()
Gharama kubwa za uzingatiaji wa ushuru hupunguza rasilimali za kifedha kwa ajili ya ukuaji wa biashara.	()	()	()	()	()
Vivutio vya ushuru vilivyotolewa na serikali vimeathiri kwa njia chanya utendaji wa biashara yangu.	()	()	()	()	()
Biashara yangu imenufaika na misamaha au punguzo la ushuru linalosaidia biashara ndogo.	()	()	()	()	()
Mfumo wa ushuru ni wa haki na haubebeshi mzigo mkubwa kwa biashara yangu ndogo.	()	()	()	()	()
Mtazamo wa sera za ushuru zisizo za haki hunikata tamaa kupanua biashara yangu.	()	()	()	()	()
Viwango vya juu vya ushuru hupunguza mahitaji ya wateja kwa bidhaa/huduma zangu, hivyo kuathiri mapato.	()	()	()	()	()
Kuongezeka kwa ushuru wa bidhaa na huduma kumesababisha kupungua kwa mauzo na faida.	()	()	()	()	()
Hofu ya adhabu na faini huhakikisha biashara yangu inazingatia kanuni za ushuru.	()	()	()	()	()

Adhabu kali kwa kutofuata sheria za ushuru huathiri fedha na uendeshaji wa biashara yangu.	()	()	()	()	()
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Asante!

