# Strategic Revolving Fund Practices and Performance of Micro and Small Businesses in Wajir County, Kenya

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## ABSTRACT

*Even though the vision 2030 framework recognizes the micro, small and medium enterprises' sector as a key driver to achievement of middle income status in Kenya, their contribution to the achievement of this goal especially within Wajir County is dismal. In Wajir County, the 2016 Micro, Small and Medium Enterprises report showed that many of the businesses in the county were stuck at the micro level where only 14 businesses had graduated to medium scaled businesses. It was also among the counties with the lowest change in number of employees when comparing the inception period and the survey period recording a change of 1.4%. The report showed that besides lack of adequate operating funds, limited knowledge and information and poor strategic management skills were the major constraints to the performance of these enterprises. Hence, the county government of Wajir had stepped in to address this challenge by setting up the Wajir County Revolving Fund whose main mandate was to promote the development in Wajir County by providing different kinds of support to these businesses. Nevertheless, studies assessing the impact of the strategic activities/practices under the fund on the performance of the businesses in order to evaluate the effectiveness of the fund were conspicuously missing. This study therefore sought to investigate the effect of the strategic revolving fund practices on the performance of the micro and small businesses in Wajir County. The specific focus was to establish the effect of stakeholder support, strategic training, knowledge transfer and strategic leadership development on the performance of micro and small retail enterprises in Wajir County. The study was guided by the resource based view theory, the theory of constraints, the social capital or social network theory and the balanced scorecard model. The study applied a descriptive survey research design. The study targeted the 855 beneficiaries (business groups and individual businesses) who had benefitted from the fund as at 2018. The study applied stratified random sampling in selecting the sample. The study used semi-structured questionnaires which were administered to the chairpersons for the group businesses and the owners for individual businesses. In analyzing the information from the open ended questions, themes emerging from the responses given were coded and simple summaries generated. The quantitative data analysis was aided by the use of the Statistical Package for Social Sciences version 20. Both descriptive and inferential analyses were carried out. A multiple linear regression model was used to show the relationship between strategic revolving fund practices and the performance of micro and small retail businesses in Wajir County. The study found that stakeholder support, strategic training, knowledge transfer and strategic leadership development had positive and significant effect on the performance of the micro and small businesses. The study noted that knowledge transfer had the largest effect on the performance of these businesses. The study concluded that the county revolving fund through various strategic practices/activities under taken under the fund had transformed the performance of micro and small businesses in Wajir County. Several recommendations were made among them the Wajir County government through the department of trade and cooperatives should identify, form networks and present proposals to various parties in diverse industries/sectors whose support can tremendously transform the county revolving fund* *initiative. The study also recommends that this department should develop a concrete strategy for planning how stakeholders attached to the fund and beneficiary businesses interact and communicate and hold regular consultative meeting with these parties to ensure that they are actively engaged in the activities of the beneficiaries. The study also recommended that training teams attached to the fund should ensure that the concepts of business strategy and other strategic business concepts are deeply enshrined in the training sessions offered to beneficiary businesses.*

**Key Words:** *Strategic Revolving Fund Practices, Stakeholder Support, Strategic Training, Knowledge Transfer, Strategic Leadership Development, Performance of Micro and Small Businesses in Wajir County, Kenya*

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## 1. Introduction

The backbone of developing nations is founded on micro and small enterprises since these enterprises create opportunities for economic growth, sustainability and employment generation (World Bank, 2015). According to Kyale (2013), MSEs are the vehicle for increased industrial production and exports. In Kenya, the Micro, Small and Medium Establishment (MSME) Survey Report of 2016 shows that the worth of the MSME's output was estimated at KSh 3,371.7 billion against a national output of Kshs. 9,971.4 billion representing an input of 33.8 % in 2015. Considering gross value added, the estimated contribution of MSMEs was estimated at KShs 1,780.0 billion paralleled to KShs 5,668.2 billion for the entire economy (KNBS, 2016). For this reason, MSEs present a principal asset to economies. In a large number of nations, the extent to which economies depend on MSEs has expanded in present years (Sitharam & Hoque, 2016). Thus, how each enterprise performs individually is a determinant of the level of an economy's development. MSEs Performance is therefore perceived as their ability to result to the creation of job opportunities in addition to the assets of the business during startup, their survival within the market as well as their sustainability (Sandberg, Vinberg, & Pan, 2012).

A point of concern is the alarming rate of failure of MSMEs mostly operated by women and youthful populations in developing countries. 33% to 41% of new MSMEs fail within the first five years of their business operation (Thaimuta, 2014). Past statistics in Kenya for instance, indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). This trend has persisted as shown by the latest MSME Survey Report of 2016 which reveals that a total of 2.2 million MSMEs were closed in the last five years, 2016 inclusive. Even though lack of adequate finances is recognized as the leading factor for this trend, other factors consisting of lack of strategic skills like strategic planning, lack of adequate knowledge and information, lack of strategic orientation in providing business leadership and poor linkages with different stakeholders among others have been highlighted as factors contributing to failure of small businesses (Lobontiu, 2012; Mwihaki, 2015). These factors hampered their strategic positioning in their operating environments. Proper support and facilitation of the development of enterprises owned by the said groups is therefore essential in bridging the socio-economic inequality gap and bring about sustainable economic growth and development (Madzivhandila, 2014). Disabled people just like able-bodied individuals have talents and potential which if exploited to the maximum can better their lives, that of their families and even their communities (Fleischer, Zames, & Zames, 2012). Hence, just like other vulnerable groups, people with disabilities yearn for government interventions that aim at equipping them to be self-reliant through their own business ventures. Many countries for this reason, have developed and adopted policies and created programmes that provide support to youth, women and disabled entrepreneurs (Ngoe, 2012).

In South Africa, the National Youth Development Agency (NYDA) established in 2011 was to empower young people (Mayer, Gordhan, Manxeba et al., 2011). For women entrepreneurs, the Japanese government embraced diverse kinds of support to women groups engaged in agricultural production in rural Japan (Shibuya, 2007). A similar approach has been used in India where groups are designed not only as a strategy for poverty alleviation but also to increase women's access to resources and their power in household decision-making (Mohindra, 2013). The Government of Kenya has also made deliberate efforts in empowering these disadvantaged groups in accessing finances and other support needed in running their businesses through the creation of various funds (Hope, 2012). First there was the Youth Enterprise Development Fund (YEDF) and then the Women Enterprise Fund (WEF) which were later consolidated into Uwezo Fund (The Institute for Social Accountability (TISA), 2017). Uwezo Fund is aimed at encouraging youth, women and persons with disabilities to venture into businesses so that they can positively contribute to the growth of the economy (Njuki, 2016). With devolution, county governments in Kenya are also stepping into action to support and uplift small and micro businesses by setting up County Revolving Funds offering several services to the businesses such as funding, strategic training and sourcing different kinds of support for these businesses from different partners even though the main objective is funding the growth and development of these businesses. Nevertheless, research on the impact major strategic activities and practices undertaken under the funds on the performance of the MSEs was missing. This study sought to bridge this knowledge gap.

### 1.1 Organizational Performance

Existing scholarly works on measuring the performance of a firm tends to suggest that there exists no agreement on the particular criteria that ought to be used so as to measure firm performance. Amongst the most famous measures of quantifying the performance of firms in existing works include firm output, its profitability, the volume of its sales, assets as well as the number of individuals employed in a firm. The view of Neely, Adams, and Kennerley (2002) is that measuring performance is very crucial given its prominent role in assisting management development through the collection and analysis of information. Furthermore, it assists firms in translating their corporate strategies into results (Lingle & Schiemann, 1996) besides providing feedback to the managements regarding the progress towards attaining the targets/goals of the firms (Simmons, 2000). Simmons (2000) further notes that performance can be measured from two perspectives, that objective as well as subjective measures. Financial indicators such as profit margins, the returns on sales and assets comprise measures that are objective whereas indicators such as the satisfaction of customers and the quality level of products/services formed part of subjective measures known as non-financial measures. Objective measures are usually perceived as being reliable, simplified and also easily understood (Otley, 1999). However, these indicators which are financial performance measures have been discredited as being lagged measures given that they provide feedback on past performance in addition to being easy to manipulate by the management. Non-financial measures on the contrary, are recognized as leading measures since they measure future performances (Simmons, 2000).

Kaplan and Norton (1992) assert that conventional financial performance measures show signals that were misleading pertaining continuity in improvements and innovations and therefore measures that comprise of many dimensions, both objective and subjective need to be adopted. Garengo et al. (2005) note that MSEs normally focus on the operational as well as financial aspects of the performance of their businesses. These businesses solely measure how lone aspects perform for instance, precision in delivery and the level of quality. In this regards, performance indicators that are multidimensional are appropriate for these businesses. This inquiry makes use of profits, growth in total revenue and assets as well as market share and number of employees as financial measures while customer satisfaction is used as a subjective measure as tools for quantifying MSE performance.

Several studies have shown that most enterprises receiving support through government initiatives globally and especially in developing countries have very little to offer the current generation and nothing for the future ones (Muteti, 2014). In the USA for example, despite the encouragement and support given to the women's MSEs projects, success stories are seldom heard, compared to failure. It appears that companies and entrepreneurs in this category manage to sail through, even in times of economic recession and crisis, but are not able to grow. The majority of these enterprises are able to sustain productivity and profitability, but not in terms of rate of growth (Al-Mahrouq, 2010). The South Africa's White Paper on National Strategy for the Development and Promotion of Small Business (1995) reinvented the wheel of small business development and women empowerment (World Bank, 2012). However, according to Viljamaa (2013), a major concern is still the unsuccessful rate and closure of small businesses at large. The majority of failures are attributed at the infancy stage and relatively a larger proportion fails within a few years after start-up, and a substantial number of those who fail do not have the tolerance for hard work.

In Malawi, a study by Olawale and Garwe (2010) show that 62% of women who were operating SMEs projects funded by the government had failed or changed their course of action, 18% remained stagnant while only 20% had sustainable operations and continuity of their businesses Furthermore, according to a report by the Ministry of National Service and Culture of Namibia (2008), the government, through its socio-economic empowerment policy introduced the Namibia Youth Credit Scheme (NYCS) to empower and increase number of youth participating in social economic affairs of the county. The Fund however faces challenges of nonperformance and unsustainability of a large number of businesses. Studies in Kenya have found that many businesses carried out under government funds have broken up in the face of the various challenges that face them. Many others simply exist and are not active. These findings raise the question of the sustainability of these groups in Kenya and hence the performance of their projects. According to Deloitte (2012), over 30% of the beneficiary projects under Uwezo Fund are either stagnating or declining in performance. Most of the enterprises still rely heavily on the fund for their survival more than three years after their inception. It was therefore crucial to assess whether the Wajir County Revolving Fund and strategic activities undertaken under the fund had significant effect on the performance of beneficiary businesses since the observations made in other initiatives could not be generalized to the context of MSEs in Wajir County. The Fund had generally benefitted a large number of persons who had existing businesses and therefore, it was crucial to assess whether the performance of these businesses had changed with the strategic assistance provided under the fund.

### 1.3 Strategic Revolving Fund Practices

A revolving loan fund (RLF) is a gap financing measure primarily used for development and expansion of small businesses. It is designed not only to support entrepreneurship and alleviate poverty, but also to empower the neglected groups of the society in order to uplift entire communities by extension (Chweya, 2006). Several services and support is channeled to these groups such as funding, strategic training and linking them with different stakeholders/partners even though the main objective is funding the growth and development of these businesses. The county government of Wajir in response to the challenges faced by micro and small business introduced the Wajir County Revolving Fund (Amendment) which is an Act of the County Assembly of Wajir, 2014 Gazette supplement No 4(Acts No.2) whose main mandate is to promote the development of micro, small and medium enterprises in Wajir County. The main objective of the fund is to eliminate poverty and boost small scale businesses in the county. Any individual, youth group, women group, persons with disabilities group, local co-operative societies, business associations, or any other institution involved in the promotion and development of the micro, small and medium enterprise sector can access the fund. As at 2016, 360 women groups, 440 youth groups, 66 cooperatives, 27 people with disabilities and 26 individuals had benefitted from the fund.

Besides providing funding, the county government under the fund was also carrying out strategic activities meant to enhance the strategic orientation of the MSEs in their operations even though their effect had remained unexplored. Under the fund, a number of strategic practices including offering strategic training, carrying out strategic leadership development, promotion of knowledge transfer to the businesses and also providing a platform where the businesses could get support from various stakeholders and partners such as NGOs and even institutions were being implemented (Wajir County Integrated Development Plan 2018-2022). Through this fund, the businesses are receiving training on business strategy and ways of executing their businesses strategies by successfully applying the appropriate techniques of handling different tasks in their businesses (Wajir County Revolving Fund Monitoring Report, 2015). The Wajir County government department of trade has signed a Memoranda of Understanding(MoU) between a local NGO and First Community Bank to offer support services to the businesses mainly training in key areas such as strategic financial planning and management. According to Wajir County Revolving Fund Monitoring Report (2015), these businesses are also being equipped with skills related to strategic planning, strategic financial management, strategic thinking, making sound strategic choices and also how to analyse the strategic environment. By doing this, the county is committed to changing the notion that strategic outlook is only beneficial to or is an exercise of big firms which would stop the businesses from just working with what is available and exploiting more business opportunities (Wajir County Department of Trade, Industry, and Co-operatives, 2017). Strategic training offered under the fund is being used to strategically help the MSEs to achieve their goals and targets. Most of the MSE owners and staff do not have the adequate knowledge which has been a major issue for their business operations. Through the fund, the county is helping the MSEs in identifying important problem areas and then transferring the key knowledge required in creating sustainable business change in their operations (CIDP, 2018). Hence, the county government under the fund is collaborating with several parties such as industry experts to solve particular challenges facing the MSEs through knowledge transfer activities (Arid Land Focus Development Kenya, 2013). Through knowledge transfer partnerships developed under the fund, MSEs are offered support across a wide range of functions including strategy, sales and marketing, operations, human resource development, finance and exporting (Wajir County Executive for Trade and Co-operatives, 2018).

### 1.4 Micro and Small Retail Enterprises in Wajir County

Small scale retail businesses dominate the MSMEs industry in Kenya. The 2016 National MSE Baseline Survey indicates that 57.1% of the total MSMEs are involved in trade either as retailers or wholesalers. This trade sector is mainly dominated by retailers with 807,026 businesses in retailing and 35,661 in whole selling. Wajir County is located in the North Eastern part of Kenya with a population of 661,941 with an annual growth rate of 3.7%. The locals are mainly dependent on livestock economy for their livelihoods over the years, however due to climate change that resulted into frequent droughts and environmental degradation; the local economy had seriously declined. As a result, a large number of pastoral families migrated to semi-urban centres in search of alternative source of livelihood where many have opened up small businesses. In Wajir County, shops, kiosks and sometimes rooms in wholesaler stores are the face of food retail. These are the actors from which the target population purchases food. They usually stock a variety of dry and packaged food items, including rice, maize and beans. In larger towns, some have vegetable and fruit available as well (Emergency Market Mapping and Analysis (EMMA), 2011). Major MSE businesses in the county include sale of fast moving consumer goods, fire wood and wood products, transport services and sale of clothes amongst other. Other informal sources include charcoal burning and white wash production. Wholesale and retail traders also supply food and non-food items to the market (National Drought Management Authority, 2013). In order to grow these businesses, the county government had stepped in to support these businesses by setting up a kitty and providing diverse strategic support services under the Wajir County Revolving fund to benefit micro and small scale traders in the county. Nevertheless, empirical studies lacked showing the impact of the strategic fund activities and practices on the performance of these businesses since the fund was set up. This gap was the major motivation for undertaking this study.

## 2. Statement of the Problem

The vision 2030 framework identifies MSMEs sector as a key driver to achievement of middle income status in Kenya due to its role in creation of employment and economic growth. However, the framework is concerned on the high degree of business closure and shrinkage among the MSEs (Ochanda, 2014). Kenyan MSMEs had a high failure rate with many of them failing within the first three years of operation (Njaramba & Ngugi, 2014). The most current MSME Survey Report released in 2016 showed that on average, these businesses were closed at the age of 3.8 years where 46.3 per cent of the establishments were closed within the first year of operation and that at closure, the number employees had increased by only 3.5 per cent compared to the time of inception (KNBS, 2016). Generally, studies showed that MSEs in Kenya continued to have poor performance and faced stiff competition from large firms (Otieno, 2013; Mwihaki, 2015; Owino, 2017).

In Wajir County, the 2016 MSME report showed that many of the businesses in the county were stuck at the micro level where only 14 businesses had graduated to medium scaled businesses. It was also among the counties with the lowest change in number of employees when comparing the inception period and the survey period recording a change of 1.4%. The MSME report of 2016 pointed out this dismal performance was attributed to among other factors the lack of adequate operating fund, limited knowledge and information and poor strategic management skills. The county government of Wajir in response to the challenges faced by MSEs had introduced Wajir County Revolving Fund (Amendment) which was an Act of the County Assembly of Wajir, 2014 Gazette supplement No 4 (Acts No.2) whose main mandate was to promote the Development in Wajir County. Under the fund, the county was committed to strengthening the strategic positioning of the businesses and equipping the businesses to strategically operate in the competitive business environment. Nevertheless, studies assessing the impact of these strategic fund activities on the performance of the businesses were conspicuously missing.

A review of existing literature showed that specific literature focusing on the strategic activities/practices undertaken under the county revolving funds and their influence on performance of MSEs particularly in Kenya was conspicuously missing. Relevant studies in the study area in Kenyan context focused on funds and programs that fell under the national government particularly Youth Enterprise Development Fund, Women Enterprise Fund and Uwezo Fund which differed from the County Revolving Funds. Others such as Ongwae (2016), Babu (2017) and Litunya (2017) focused on the on accessibility and utilization of the funds by micro and small businesses rather than their performance. The strategic activities/practices under these funds were not explored. This study therefore was crucial in bridging the knowledge gaps existing in literature by investigating the effect of the Wajir county strategic revolving fund practices on the performance of the micro and small retail businesses in Wajir County.

## 3. Objectives of the study

The main objective of this study was to investigate the effect of the strategic revolving fund practices on the performance of the micro and small businesses in Wajir County.

The study sought to achieve the following specific objectives:

i. To establish the effect of stakeholder support on the performance of the micro and small businesses in Wajir County.
ii. To determine the effect of strategic training on the performance of the micro and small businesses in Wajir County.
iii. To examine the effect of knowledge transfer to businesses on the performance of the micro and small businesses in Wajir County.
iv. To find out the effect of strategic leadership development on the performance of the micro and small businesses in Wajir County.

## 4. Theoretical Review

### 4.1 Resource-Based View Theory

The Resource-Based View of the firm suggests that performance is driven by the resource profile of the firm while the source of superior performance is embedded in the possession and deployment of distinctive resources that are difficult to imitate (Mazzarol & Choo, 2003). RBV proposes that firms achieve sustainable competitive advantage if they possess certain key resources and if they effectively deploy these resources in their chosen markets. RBV describes a firm in terms of the integrated resources and that resources are limited to those attributes that enhance efficiency, effectiveness and performance of the firm (Wernerfelt, 1984). O'Cass et al., (2004) argues that a firm's specific characteristics are capable of producing difficult to imitate core resources which determine the performance variation among competitors. The resource-based view further stipulates the fundamental sources and drivers of firms' competitive advantage and superior performance is mainly associated with the attributes of their resources and capabilities which are rare, valuable, difficult to imitate and not substitutable." The resource-based view (RBV) of the firm proposes that firm performance depends on firm specific resources and capabilities. Lumpkin and Dess (2001) argue that complementarily, scarcity, low tradability, inimitability, limited substitutability, appropriatability, durability and the overlap with strategic industry factors constitute the key firm resources. Mazzarol and Choo (2003) argued that that intangible assets such as market orientation, knowledge management and organizational learning allow firms to develop abilities that enhance competitive advantage leading to enhanced market performance.

In this study, the resource based theory was used to explain how strategic training, knowledge transfer and strategic leadership development received by MSEs under the county revolving fund could influence their competitive advantage and ultimately their performance. As they start, MSEs usually have limited resources in terms of human capital, leadership skills and knowledge. Therefore, the intangible resources and capabilities gained under the umbrella of the county revolving fund could enable MSEs to possess resources that could enhance their performance especially by providing competitive advantage to them over those MSEs that do not have such support. Therefore, availing adequate knowledge resources for instance, could enable the businesses in tapping into opportunities as and when they fell due. Business owners with limited strategic skills and knowledge might find it difficult to undertake certain business opportunities which would affect the profitability of the firm and its capability to continue operations into the unforeseen future. This theory therefore underscored the importance of providing strategic training, knowledge transfer, strategic leadership development and stakeholder support in ensuring that the businesses achieved their projected goals and performed well by enhancing their strategic positioning.

### 4.2 Theory of Constraints

This theory was advanced by Goldratt (1984). The theory argues that "organizational performance is dictated by constraints. These are restrictions that present an organization form maximizing its performance and reaching its goals. Constraints can involve people, supplies, information, equipment, or even policies and can be internal or external to an organization. Types of internal constraints include equipment; the way equipment is currently used limits the ability of the system to produce more salable goods/services, people; lack of skilled people limits the system. Mental models held by people can cause behaviour that becomes a constraint, policy; a written or unwritten policy prevents the system from making more (Wysocki, 2007). Maylor (2010) suggest that every system, no matter how well it performs has at least one constraint that limits its performance and this is the system's weakest link. Maximizing throughput rate would in turn maximize profit, cash flow and return on investment. A system can have only one constraint at a time and that other areas of weakness are non-constraints until they become the weakest link. This theory underpinned this study by explaining how MSEs faced internal and external challenges such as poor strategic business and leadership skills, lack of knowledge and poor linkages with key industry stakeholders when trying to compete in the changing business environment which ultimately affected their performance. Therefore, unless MSEs exploited the various avenues such as the county revolving fund which offered solutions to some of these constraints, their competitiveness was bound to be an uphill task hindering their performance.

### 4.3 Social Capital or Social Network Theory

Proponents of this theory assert that entrepreneurs are embedded in a larger social network structure that constitutes a significant proportion of their opportunity structure (Clausen, 2006). Shane and Eckhardt (2003) assert that an individual may have the ability to recognize the existence of a given entrepreneurial opportunity, but might lack the social connections to transform the opportunity into a business startup. Kudshin (2004) as cited by Jaafar, Abdul-

Aziz and Sahara (2009) assert that a network flow between actors which contains advice, information, motivation and cooperation among others can lead to important ties useful to entrepreneurial ventures. This implies that entrepreneurs must build reputation and enhance relationships with outside resource providers who are willing to share valuable information, technology and finance. This theory shows that stronger social ties to resource providers facilitate the acquisition of resources in terms of access to capital, recruiting skilled labour and accessing tacit knowledge which enhances the probability of opportunity exploitation and increased performance (Shane & Stuart, 2002; Hsu, 2004). This theory underscored the importance of the stakeholder support provided under county revolving funds. Since micro and small businesses might lack the capacity to relate and form networks with key parties such as industry experts, donors or even, banks, providing a channel/avenue where they can reach out or be reached by key parties/stakeholders through the county revolving fund, these businesses could be in a position to benefit from these parties for instance through strategic leadership development which may impact their business performance and growth.

### 4.4 The Balanced Scorecard

The balanced scorecard (BSC) suggests that managers should consider the organization's performance from four dimensions, financial perspective, customer perspective, innovation and learning perspective, internal perspective (Kaplan & Norton 1996). BSC integrates financial and non-financial measures into one measurement system. The objectives and standards of BSC are obtained from the organization's vision and strategy. The Balanced Scorecard provides managers with a comprehensive framework that translates a company's vision and strategy into a coherent set of performance measures. Kaplan and Norton (1996) showed that the balanced scorecard not only allowed the monitoring of present performance, but also tried to incorporate information about how well the organization was positioned to perform in the future. In addition, the Balanced Scorecard had evolved to become a core management tool, in that it helped the management of firms to clarify, communicate and manage strategy. In practice, companies used the BSC approach to accomplish four critical management processes, clarify and translate vision and strategy, communicate and link strategic objectives and measures, plan, set targets, and align strategic initiatives and enhance strategic feedback and learning. This theory model was crucial in guiding the measurement of performance of MSEs under study by incorporating both financial and non-financial performance indicators.

## 5. Empirical Literature Review

### 5.1 Stakeholder Support and Involvement and Performance of MSEs

Zindiye, Chiliya, and Masocha (2012) investigated the impact of government and other institutions' support on the performance of SMEs in the manufacturing sector in Harare, Zimbabwe. The study applied a descriptive research design. The study found that government partnerships and collaboration with various stakeholders to support SMEs had a positive impact on their performance. It was established that these partnerships facilitated the provision of capital injections, market access, managerial expertise and the transfer of technology which increased the survival rate of SMEs and resulted in them being successful and competitive in the business environment. The SMEs who had received such support were able to expand their operations which increased their sustainability. The study noted that the Zimbabwean government had partnered and joined hands with EMPRETEC, an organization which aimed at empowering SMEs through training and the provision of support services. It also partnered with ILO which was actively involved in training SME entrepreneurs through programmes such as Start Your Business (SYB) and also funding the Expand Your Business (EYB) training for SMEs besides providing seed money as startup capital for SMEs. The Small Enterprise Development Corporation (SEDCO) assisted in the creation of employment through the establishment of income generating projects which would also sustain viable enterprises. It also provided business management and entrepreneurship training to develop professional skills in business management.

McConnell, McFarland, and Common (2012) explored the role of local governments in supporting entrepreneurs and small businesses. The study revealed that when local governments consider pursuing programs for supporting SMEs such as government-sponsored venture funds, it was extremely important to make sure the right partners with the necessary expertise are at the table. This was so because these partners might have standing relationships and often better understand the needs of the small businesses. Additionally, these organizations could bring resources and capacities that local governments did not have. According to the study, to support entrepreneurs and small businesses, key stakeholders or outside organizations with technical experience, resources and relationships were essential. The study noted that local leaders could bring together service providers and business groups to help identify gaps, encourage collaboration and be a centralized information source. The study concluded that if a local government embarked on a program that offered more targeted, direct services to entrepreneurs, it was imperative to include partners with expertise and to have clear goals and realistic expectations.

A survey carried out by United Nations Industrial Development Organization (UNIDO) in collaboration with Organization for Economic Co-operation and Development (OECD) in 2004 pertaining the effective policies for the development of micro and small businesses highlighted the importance of stakeholder development. The survey emphasized that governments could encourage stakeholder support towards SMEs by encouraging the development and services offered by representative associations such as Chambers of Commerce, industry and sector associations and local business clubs. Governments could also create public/private partnerships in support of SMEs stating that in manufacturing industry, such support enabled the SMEs to achieve reduction in production lead time and die and cast change over times besides reduction in production throughput time by reorganizing work areas and product flows. The survey also showed that governments could enhance the capacity of private training and counselling services to work with SMEs and ensure professional standards of such services. According to these organizations, governments could underscore the roles of various local stakeholders and how public-private sector cooperation could help cover gaps in support services for SMEs.

### 5.2 Strategic Training and Performance of MSEs

Kinyua and Ali (2016) explored the role of strategic management factors in managing growth of small and medium enterprises in Mombasa County. The research applied causal effect design. The study found that strategic training positively impacted the growth of these SMEs by increasing their sales growth and operating profit margin. The study found that strategic training and development activities increased the potential of the enterprise owners and staff to implement their business strategies that enabled them to meet the demands of the market and customers through higher quality, lower costs, and faster cycle times which increased their overall performance. The study found that strategic training enabled the SMEs to stay on course, it facilitated an improvement in SMEs performance and that the training highly helped them in leveraging skills development. The study emphasized that strategic training was a strategic investment for SMEs which improved their competitiveness.

Kang'ethe (2018) assessed the influence of strategic training on the performance of SME manufacturing firms in Kenya focus on businesses in Thika Town. The study adopted a combination of both incorporated both exploratory and descriptive research designs. The study found that strategic training led to the successful adoption of the strategic planning tools in these businesses which led to improvements in the firms' sales, profits, number of full time employees and the market share. According to the study, this kind of strategic training presented the necessary education and skills to the SME managers about strategic planning which was vital in enabling them to strengthen strategic insight and thinking within the firms which enhanced the performance of their businesses. The study found that such strategic training ensured that the SME managers were able to make budgetary allocations for their operations based on sound and well thought out plans and they were able to innovate and develop strategies that enabled them to develop a competitive advantage in the market which enhanced their market shares and profitability.

Sum (2011) explored the role of strategic training on the competitiveness of small, medium, and large firms across three different industries in the US through carrying out an online survey. The study found that strategic training had a positive and significant effect on the performance of these businesses since it enabled the owners to maintain, raise, and innovate the core competencies for strategic positioning of the firms in the industry. According to the study strategic training helped the businesses to develop strategies that helped in the implementation of innovations and other business change which highly impacted on their firms' readiness for current and future business opportunities and threats which ultimately determined their organizational performance success and hence, their competitiveness. Through strategic training, the firms were able to on firms' productivity improvement as their employees were able to approach clients from a more strategic standpoint and develop more profitable and compelling solutions.

Newkirk- Moore and Bracker (2008) examined the impact of strategic training on the performance of small financial firms in the US. A descriptive research design was used. The study found that there was a relationship between the frequency, quality and type of strategic training and the performance of firms. The study found that strategic training was crucial especially among employees who guided and supported the strategic efforts of the organization. According to the study, this training helped in equipping the staff with skills on monitoring and interpreting industry data and business environmental information in making a meaningful array for strategic decision making. The study found that strategic training activities when linked to strategic decision making process helped the firms in taking a defensive posture within the industry which enhanced their performance.

Mbugua and Moronge (2016) sought to determine the effects of county government policies on the performance of small and medium enterprises in Kiambu County. This study employed a descriptive research design. The study found that training provided by the county influenced the performance of the SMEs under study positively and significantly. It revealed that topics covered in training, financing of training, training institution, duration of training and frequency of training influenced SMEs performance to a great extent. The study found that training the SMEs on different business environments enabled them to better understand their businesses. The training also helped the businesses in improving the management of their businesses besides being able to cope with the latest accounting systems, information technology, management concepts among others which enabled them to remain competitive.

Ndiritu, Ndiritu, and Kidombo (2016) analyzed small and medium enterprises training for survival in a competitive world. The study used mixed method approach. The study focused on enterprises under the Youth Enterprise Development Fund in Kajiado County. The study analyses indicated a moderately positive and significant relationship between training and performance of the SMEs under study. The study highlighted that the training helped the businesses to perform better and increase their efficiency and productivity, achieving continuous improvement of quality in their operations. The training also helped in the development and improvement in managerial skills which assisted the SMEs in efficiently controlling their business costs besides ensuring consistency in their services and also understanding the structure of the industry. These impacted their performance.

### 5.3 Knowledge Transfer and Performance of MSEs

Gudda, Bwisa, and Kihoro (2014) investigated the effect of knowledge transfer from external parties on product innovativeness among manufacturing SMEs in Kisumu, Kenya. This study adopted a cross-sectional survey design. The study found that innovative firms actively collaborated with Kenya Industrial Research and Development Institute (KIRDI), technical institutions and universities to access crucial knowledge needed in running their operations. The study found that scanning external sources of knowledge, seeking diverse partnerships and learning was particularly critical for SMEs in situations where relevant knowledge tended to be dispensed among highly specialized players. The study found that by interacting with the mentioned actors in a shared platform, SMEs were able to acquire explicit and tactical knowledge from participating in conferences/seminars/workshops, sharing of product ideas/information/knowledge and training. All these contributed positively to innovation and product innovativeness of SMEs since these businesses were able to acquire knowledge related to some of the necessary conditions required for innovativeness, namely, product idea or information transfer, learning and coordination of production and product development activities. This greatly impacted their performance.

Nguyen (2013) assessed the role of knowledge transfer to small businesses in Vietnam. on their performance. The study adopted a multiple case studies method. The study found that the knowledge transfer process contributed greatly to the overall performance of small businesses by resulting to improved competency, improved efficiency, improved decision making, improved innovation, and improved responsiveness to customers by these businesses. According to the study, knowledge transfer resulted in having more knowledgeable staff which helped the businesses to develop key competencies to meet future unanticipated needs. It also enabled the enterprises’ staff to be able to complete the assigned tasks quicker than they had previously and encountered fewer mistakes in handling work related problems. Furthermore, knowledge transfer enabled the staff of these businesses to make better decisions which contributed to the improvement of their company performance. Knowledge transfer to these businesses led to increased customer satisfaction as the knowledgeable staff were able to better understand customer needs and as result, they responded to customer inquiries with an improved, responsive approach.

Alvarez and Iske (2015) assessed the effect of external knowledge sourcing on product innovation performance among Dutch low and medium-technology SMEs. The study adopted a survey research design. The study found that SMEs that had acquired external knowledge achieved a significant growth in income from new and technological changed products developed as result of such knowledge and which had considerable aggregate impact. The study found knowledge transferred to the SMEs from external sources equipped these businesses with technological and market knowledge which increased their businesses’ ability to discover and exploit opportunities, for instance, to recognize wants and needs in the marketplace and to determine a product’s optimal design and market value of new products.

The study found that such knowledge led to enhanced product innovations among SMES. The findings suggest that externally generated (market) knowledge played an important role for the development of highly custom-designed products. This resulted to greater product differentiation, whereby an increased range of products and hence new markets could be attained by the SMEs. The study however, concluded that having access to external knowledge stocks was a necessary but not sufficient condition for value delivery. These findings meant that it was only when knowledge was properly deployed via the firm's capabilities that superior organizational performance could be developed.

Chong, Choy and Chew (2011) assessed the inter-organizational knowledge transfer needs among small and medium enterprises in Malaysia. The study adopted a descriptive survey research design. The study found that external knowledge was an important need among the enterprises in their pursuit of success of their businesses. The study pointed the importance of SMEs in prioritizing on the acquisition and transfer of external knowledge from other sources such as emerging market trends, suppliers, and competitors which helped them to avoid making costly mistakes. The study found that the acquisition of external knowledge enabled the SMEs to better understand their customers' needs and preferences which was pivotal to their business success. The study findings revealed that networks increased the SMEs' ability to obtain knowledge for business purpose which provided the much needed information for the firms to offer the right products and services, besides obtaining knowledge of their suppliers and competitors. According to the study, knowledge about competitors was very important since it helped them to benchmark their business practices, and effectively develop their competitive strategies although the competitors might not be in direct competition with them. Seeking knowledge about suppliers helped the SMEs to build good relationship with suppliers which helped the enterprises to provide better services to their customers.

Paul (2008) explored the role of government supported knowledge transfer among SMEs in New Zealand. The study adopted an exploratory research design. The study found that knowledge that was externally derived increased the performance of SMEs especially in the case of technology transfer. The study found that linkages of SMEs with parties possessing crucial knowledge supported the flow of new innovative knowledge to SMEs which these businesses could then commercialize and turn it into sustainable competitive advantage. The study also found that this knowledge allowed the SMEs to forecast changes in the industry and take advantage of opportunities before competitors. The study findings also showed that the effectiveness of the external knowledge transferred to these businesses was dependent on the willingness of knowledge keepers to share the knowledge that possessed. Furthermore, the study found that the extensive participation of knowledge keepers in the knowledge transfer activities had a considerable effect on the efficiency of the knowledge transfer process. The study also highlighted the importance of the SMEs having background to implement the external knowledge that was externally derived.

## 5.4 Strategic Leadership Development and Performance of MSEs

Ogechi (2016) assessed the effect of strategic leadership on the performance of small and medium enterprises in Kenya. The study adopted a descriptive survey research design. The study found that there was a strong positive relationship between strategic leadership and performance of SMEs. The study found that SMEs with strategic leaders were equipped with a strategic purpose and vision that enabled them to focus their operations on target and in deed be able to translate the same into improved revenues and profits. Strategic leadership in these SMEs ensured effective resource management which ensured that profits were increased as costs were checked and the best was derived from the available resources. These businesses were also able to balance between their strategic controls and financial controls which enabled them to achieve profits and at the same time keep employees motivated. Financial controls adopted by the strategic leaders in these businesses ensured the short term success was achieved and the long term sustainability was also met. These leaders also maintained a good relationship with their employees resulting to minimal staff turnover and keeping the staff motivated to provide excellent customer service. The study found out that SMEs which had leveraged on strategic leadership were able to withstand the economic challenges affecting the industry and align themselves to attain competitive advantage which translated to sustained performance.

Özer and Tınaztepe (2014) explored the effect of strategic leadership on the performance of SMEs in Turkey. The study applied a descriptive case study design. The study found that the development of strategic leadership was one of the driving forces for the success of SMEs. According to the study, knowledge of strategic leadership was essential as the role had become more critical and the complex demands had increased in SMEs. The study found that strategic leadership had a positive impact on the performance of SMEs. The study found that strategic leaders created a clear picture of the future state of the business that was both optimistic and attainable, encouraged the staff to raise their expectations, reduced complexity to key issues and used simple language to convey the mission of the business in competitive markets. This resulted to increased willingness of the enterprise's employees to exert extra effort so as to try to achieve the mission of the business which led to enhanced productivity and success of the business.

Bleak and Fulmer (2009) explored the strategic development of strategic leaders in firms. The study highlighted that strong strategic leadership was at the essence of exceptional organizational performance and that no business or strategy was good enough to succeed without such kind of leadership. According to the study, strategic leaders enhanced the performance of their firms by not only acting as architects of corporate strategies, setting the best course for the company in the marketplace, but also continually working to implement strategic directives while also acting as translators of the strategy to the rest of the company. The study noted that strategic leadership enabled firms to move from their current performance reality to their desired future performance which was enhanced by increased flexibility and ability to learn and adapt to changing business environmental circumstances. The study found that when strategic leadership development was tied closely to the strategy and needs of the business, excellent organizational results followed.

Norzailan, Yusof, and Othman (2016) explored the importance of developing strategic leadership competencies. The study was based on document analysis. The study pointed out that strategic leaders were able to read the external environment and the internal capabilities of their firms. They were equipped with skills which enabled them to make decisions on how to shape the external environment or how to respond to changes in the environment which strengthened the strategic positioning of their firms. These leaders were able to manage the response to the changes in the environment effectively. According to the study, the possession of strategic thinking competencies cultivated creative thinking and the ability to see discontinuities in the environment as well as recognize emerging opportunities which enhanced the performance of businesses. Besides generating new ideas and negotiating them with others in the firm, strategic leaders were able to implement any new strategy adopted by the firm to support performance targets. The study concluded that strategic leadership development was a sound practice that was critical to ensuring the viability of a business.

## 6. Conceptual Framework

The conceptual framework of the study is provided in Figure 1. It depicted the expected relationship between strategic revolving fund practices namely stakeholder support, strategic training, knowledge transfer and strategic leadership development and the performance of micro and small enterprises in Wajir County.

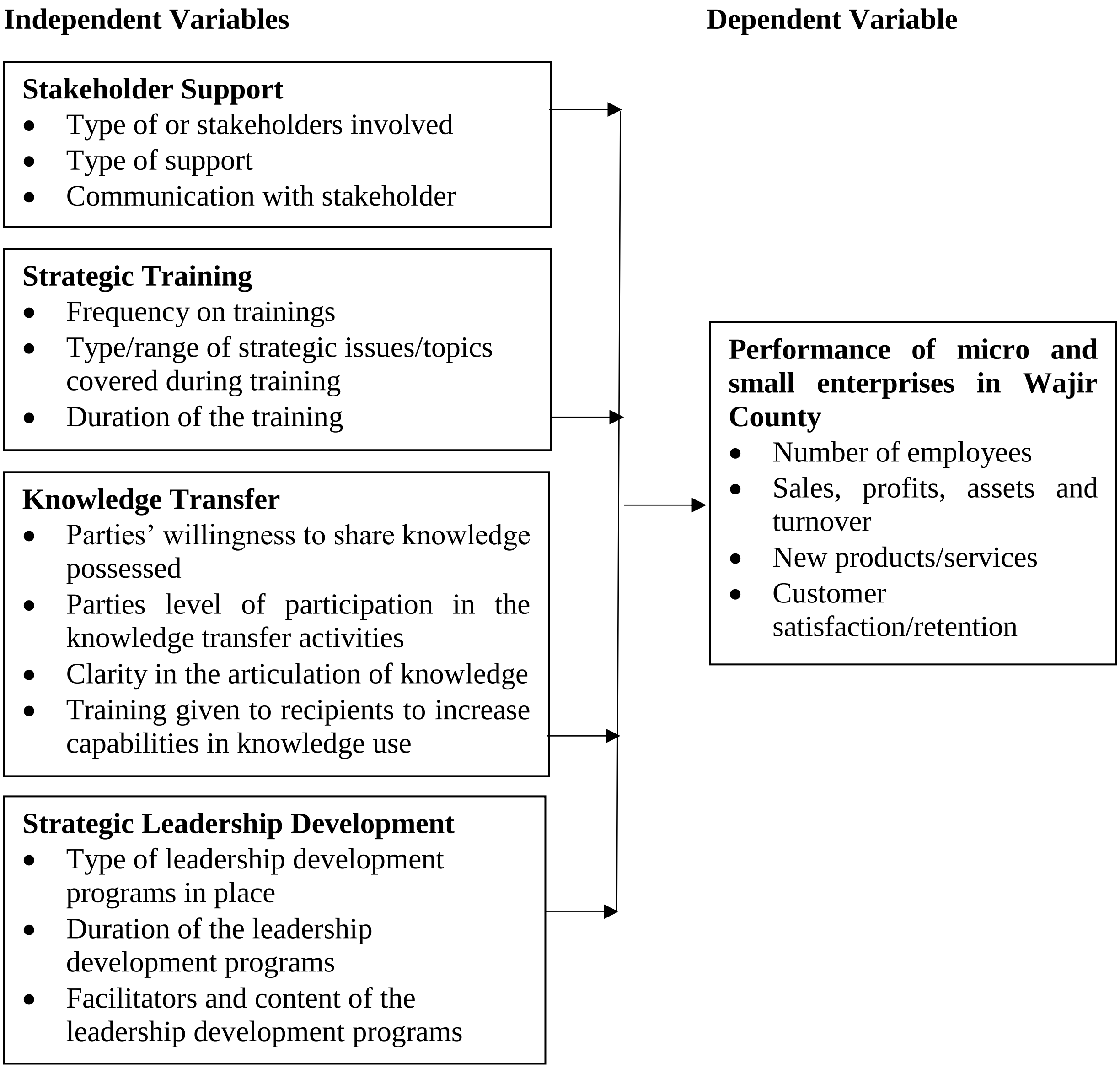


***Figure 1: Conceptual Framework***

*Source: Author (2019)*

## 7. Research Methodology

The study adopted a descriptive survey research design. This design was appropriate since it encompassed a set of methods and procedures that facilitated quality description of the study variables with an aim of pinpointing the relationship that existed between the variables. This design enabled the researcher to gather in-depth information from the beneficiaries of the fund concerning the issue studied besides enabling them to study the variables as they currently existed. Therefore, the design assisted the researcher in depicting the condition on the ground regarding the strategic revolving fund practices namely stakeholder support, strategic training, knowledge transfer and strategic leadership development and how they had affected the performance of micro and small business in Wajir County. The study area covered all the 6 sub-counties in the county. Wajir County is the largest in North Eastern part of Kenya. Its maximum width (East - West) is 226 km while the maximum length (North - South) is 350 km. The County has an estimated area of 56,685.9 Sq. Km of which 30 per cent is arable. It borders the Republic of Somalia to the East, Garissa County to the South, Isiolo County to the Southwest, Marsabit County to the West, Moyale County to the Northwest, Republic of Ethiopia to the North and Mandera County to the Northeast. Wajir town is the major economic hub and is about 720 km from the Capital city of Kenya, Nairobi. The population predominantly depended on livestock rearing as the main source of livelihood and practice pastoral nomadism.

The study targeted all the 855 beneficiaries (business groups and individual businesses) who had so far benefitted from the Wajir County Revolving Fund operating in 5 sub-counties in Wajir County. The sixth subcounty was considered for the pilot study. The chairpersons of the group businesses and business owners of the individual businesses were the respondents since they served as the managers of their businesses and understand the issues within their businesses besides being the parties that signed as recipients of the fund on behalf of their businesses. The formula developed by Yamane (1967) was used in determining the sample size for the beneficiary businesses. The study used primary collected using semi-structured questionnaires. The aim of the close-ended questions was to offer guidance to the answers given by the participants within the choices that were given and also minimizing the cases of non-response associated with open ended questions where most questions were left blank. The open-ended questions were useful in obtaining more detailed qualitative responses essentially in cases where the researcher had no pre-determined options. The questionnaire was divided into six sections. Section A of the questionnaire captured the business profile of the micro and small businesses while sections B, C, D, and E captured information pertaining to stakeholder support, strategic training, knowledge transfer and strategic leadership development as the main themes or objectives of the study. Section F captured information pertaining to performance of the MSEs.

The data obtained from the open ended questions were summarized in to themes and simple summaries generated. The quantitative data analysis involved both descriptive and inferential analysis. Quantitative data analysis was facilitated by SPSS (Statistical Package for Social Sciences) Version 20. Microsoft excel was used to complement SPSS especially in the production of diagrams and tables. Descriptive statistics such as a rate of response, the frequency distribution, the mean and standard deviation were used. Inferential analyses that were conducted include correlation and regression analysis. Pearson's correlation analysis was used to establish the association between the dependent and the independent variables. Regression analysis was used to quantify the effect of the independent variables on the dependent variable. A multiple linear regression model was used to test the significance of the effect of strategic revolving fund practices namely stakeholder support, strategic training, knowledge transfer and strategic leadership development on the performance of MSEs in Wajir County. The choice and justification of using multiple linear regression model was that it was useful in testing the causal/effect relationship between stakeholder support, strategic training, knowledge transfer and strategic leadership development and the performance of MSEs in Wajir County.

## 8. Research Findings

Correlation analysis was undertaken to established whether strategic revolving fund practices namely stakeholder support, strategic training, knowledge transfer and strategic leadership development were associated with the performance of the micro and small businesses in Wajir County. The study sought to determine the direction, strength and significance of the associations between the independent variables and the dependent variables. The Pearson correlation coefficients were extracted as shown in Table 4.15. The strength of the coefficients was interpreted based on a criteria provided by Sedgwick (2012) as follows: +/-.00 to .19 is very weak, +/-.20 to .39 is weak, +/-.40 to .59 is moderate, +/-.60 to .79 is strong while +/-.80 to 1.0 is very strong. The test was undertaken at 0.05 significance level.

**Table 1: Correlation Matrix**

| | | Performance | Stakeholder Support | Strategic Training | Knowledge Transfer | Strategic Leadership Development |
|---|---|---|---|---|---|---|
| Performance | Pearson Correlation | 1 | | | | |
| | Sig. (2-tailed) | | | | | |
| | N | 219 | | | | |
| Stakeholder Support | Pearson Correlation | .654** | 1 | | | |
| | Sig. (2-tailed) | 0 | | | | |
| | N | 219 | 219 | | | |
| Strategic Training | Pearson Correlation | .684** | .532** | 1 | | |
| | Sig. (2-tailed) | 0.000 | 0.000 | | | |
| | N | 219 | 219 | 219 | | |
| Knowledge Transfer | Pearson Correlation | .713** | .436** | .505** | 1 | |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | | |
| | N | 219 | 219 | 219 | 219 | |
| Strategic Leadership Development | Pearson Correlation | .624** | .420** | .394** | .489** | 1 |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | 0.000 | |
| | N | 219 | 219 | 219 | 219 | 219 |

*** Correlation is significant at the 0.01 level (2-tailed).*

Source Research Data (2019)

The findings revealed that stakeholder support was strongly, positively and significantly associated with the performance of the micro and small businesses in Wajir County as shown by *(r=0.654, p=0.000, p<0.05).* The findings also showed that strategic training was positively and significantly associated with the performance of these businesses and that this association was strong as supported by *(r=0.684, p=0.000, p<0.05).* The findings further showed that the association between knowledge transfer and the performance of the micro and small businesses in Wajir County was strong, positive and significant given *(r=0.713, p=0.000, p<0.00).* Similarly, strategic leadership development was found to be strongly, positively and significantly associated with the performance of businesses under study *(r=0.624, p=0.000, p<0.05).* These findings implied that the various strategic revolving fund practices under study in particular stakeholder support, strategic training, knowledge transfer and strategic leadership development changed in the same direction

Regression analysis was conducted to determine whether strategic revolving fund practices in particular stakeholder support, strategic training, knowledge transfer and strategic leadership development significantly affected the performance of the micro and small businesses in Wajir County. The study findings presented in Table 2 pertain to the model summary.

**Table 2: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .867a | 0.752 | 0.747 | 0.328374 |

*a Predictors: (Constant), Strategic Leadership Development, Strategic Training, Stakeholder Support, Knowledge Transfer*

The findings show that strategic revolving fund practices specifically stakeholder support, strategic training, knowledge transfer and strategic leadership development explained a considerable proportion of the changes in the performance of micro and small businesses in Wajir County. The coefficient of determination (R Square) of 0.753 implied that stakeholder support, strategic training, knowledge transfer and strategic leadership development explained 75.3% of the changes in the performance of micro and small retail businesses in Wajir County. The rest of the changes, 24.7%, were attributable to other factors not considered in this study. These findings meant that stakeholder support, strategic training, knowledge transfer and strategic leadership development were satisfactory variables in explaining the performance of micro and small businesses in Wajir County.

The study tested the significance of the model used in showing the relationship between strategic revolving fund practices and the performance of micro and small businesses in Wajir County. This was achieved by generating the F statistic and its associated p value. If the significance (p value) associated with the F value was less than 0.05, the model was considered significant, otherwise insignificant.

**Table 3: Testing the Model Fitness**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 69.837 | 4 | 17.459 | 161.916 | .000b |
| | Residual | 23.076 | 214 | 0.108 | | |
| | Total | 92.913 | 218 | | | |

a Dependent Variable: Performance of micro and small retail businesses in Wajir County
b Predictors: (Constant), Strategic Leadership Development, Strategic Training, Stakeholder Support, Knowledge Transfer

The findings as presented in Table 3 showed that the model used to show the link between strategic revolving fund practices and the performance of micro and small businesses under study was statistically significant given $F(4, 214) = 162.761$, $p = .000 < 0.05$. The findings implied that stakeholder support, strategic training, knowledge transfer and strategic leadership development were satisfactory predictors of performance of micro and small businesses in Wajir County. The regression output as presented in Table 4 helped the researcher in determining whether the strategic revolving fund practices had a significant effect on the performance of micro and small businesses in Wajir County. This was done by observing $\beta$ coefficient and its associated $t$ statistic and $p$ value.

**Table 4: Regression Coefficient**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -1.045 | 0.165 | | -6.351 | 0.000 |
| | Stakeholder Support | 0.344 | 0.058 | 0.249 | 5.957 | 0.000 |
| | Strategic Training | 0.339 | 0.051 | 0.286 | 6.647 | 0.000 |
| | Knowledge Transfer | 0.351 | 0.043 | 0.346 | 8.084 | 0.000 |
| | Strategic Leadership Development | 0.292 | 0.05 | 0.238 | 5.838 | 0.000 |

a Dependent Variable: Performance of micro and small businesses in Wajir County

The findings showed that stakeholder support had a significant positive effect on the performance of micro and small businesses in Wajir County given $\beta = 0.344$, $t = 5.957$, $p = .000$, $p<0.05$. The findings implied that a unit increase in stakeholder support under the Wajir County revolving fund would result to increased performance of the beneficiary micro and small businesses in the county by 0.344 units holding all other factors constant. The findings of this study agreed with that of Zindiye, Chiliya, and Masocha (2012) who found that government partnerships and collaboration with various stakeholders to support small businesses had a positive impact on their performance since these partnerships facilitated the provision of capital injections, market access, managerial expertise and the transfer of technology which increased the survival rate of these businesses and resulted in them being successful and competitive in the business environment. Furthermore, the businesses which had received such support were able to expand their operations which increased their sustainability.

The study also found that strategic training positively and positively affected the performance of micro and small businesses in Wajir County as supported by $\beta = 0.339$, $t = 6.647$, $p = .000$, $p<0.05$. The findings implied that a unit increase in strategic training would result to increased performance of these businesses by 0.339 units holding all other factors constant. The study agreed with that of Kinyua and Ali (2016) which found that strategic training positively impacted the growth of businesses by increasing their sales growth and operating profit margin. This is because it increased the potential of the enterprise owners and staff to implement their business strategies that enabled them to meet the demands of the market and customers through higher quality, lower costs, and faster cycle times which increased their overall performance. The findings of the study were also in line with that of Kang'ethe (2018) who found that strategic training led to the successful adoption of the strategic planning tools in businesses which led to improvements in the firms' sales, profits, number of full time employees and the market share. The findings also agreed with that of Sum (2011) who noted that strategic training had a positive and significant effect on the performance of small businesses since it enabled the owners to maintain, raise, and innovate the core competencies for strategic positioning of the firms in the industry.

The findings further found that the performance of micro and small businesses in Wajir County was affected by the knowledge transfer provided under the county revolving fund as shown by $\beta = 0.351$, $t = 8.084$, $p = .000$, $p<0.05$. These findings implied that a unit increase in knowledge transfer would lead to increased performance these businesses by 0.351 units holding all other factors constant. The findings supported that of a study by Gudda, Bwisa, and Kihoro (2014) which showed that knowledge transfer from external parties greatly enhanced the performance of small businesses since it contributed positively to innovation and product innovativeness of these businesses. The findings also agreed with that of Nguyen (2013) who found that knowledge transfer process contributed greatly to the overall performance of small businesses by resulting to improved competency, improved efficiency, improved decision making, improved innovation, and improved responsiveness to customers by these businesses The study findings further supported that of Alvarez and Iske (2015) who found that small businesses that had acquired external knowledge achieved a significant growth in income from new and technological changed products developed as result of such knowledge and which had considerable aggregate impact.

Similarly, the study found that strategic leadership development positively and significantly affected the performance of micro and small businesses in Wajir County as supported by $\beta$ = 0.292, $t$ = 5.838, $p$ = .000, $p<0.05$. The findings meant that a unit increase in strategic leadership development under the fund would result to increase performance of the businesses under study 0.292 units holding all other factors constant. These findings were in agreement with that of Ogechi (2016) who found that there was a strong positive relationship between strategic leadership and performance of small businesses since having strategic leaders equipped them with a strategic purpose and vision that enabled them to focus their operations on target and in deed be able to translate the same into improved revenues and profits. The findings also concurred with that of Özer and Tınaztepe (2014) who found that strategic leadership had a positive impact on the performance of small businesses. The findings further supported that of Bleak and Fulmer (2009) who found that strategic leaders enhanced the performance of their firms by not only acting as architects of corporate strategies, setting the best course for the company in the marketplace, but also continually working to implement strategic directives while also acting as translators of the strategy to the rest of the company. Based on the findings as outlined in Table 4, the following model was fitted; *Performance of micro and small businesses in Wajir County = -1.045 + 0.344 Stakeholder Support + 0.339 Strategic Training + 0.351 Knowledge Transfer + 0.292 Strategic Leadership Development*

## 9. Conclusions

Based on the study findings, the study concluded that particular strategic practices carried out under the county revolving fund significantly transformed the performance of beneficiary businesses. The study concluded that stakeholder support significantly and in a positive manner affected the performance of beneficiary businesses under the Wajir County revolving fund. The study also concluded that strategic training provided under the fund as well as strategic leadership development positively and significantly affected the performance of micro and small businesses in Wajir County. The study further concluded that knowledge transfer to these businesses had the largest positive and significant effect on their performance and that the critical role of county revolving fund in enhancing the development of MSEs in Wajir County could not be ignored.

## 10. Recommendations

Based on the study findings, several recommendations were made. The study recommends that the Wajir County government through the department of trade and cooperatives should identify, form networks and present proposals to various parties in diverse industries/sectors whose support can tremendously transform the county revolving fund initiative. The study also recommends that this department should develop a concrete strategy for planning how stakeholders attached to the fund and beneficiary businesses interact and communicate and hold regular consultative meeting with these parties to ensure that they are actively engaged in the activities of the beneficiaries. The study further recommends that the county government should constantly remind the various stakeholders of the necessity for adequate and continued support to the businesses by being able to assess the success achieved on the ground through constant monitoring and evaluation of the fund. The study recommends that training teams attached to the fund should ensure that the concepts of business strategy and other strategic business concepts are deeply enshrined in the training sessions offered to beneficiary businesses. The study also recommends that there should be adequate allocation of time towards covering key strategic issues fundamental to running of the businesses and that the training sessions provided under the fund should not focus entirely on financial literacy and financial management. The study further recommends that the training teams should undertake regular follow ups in order to ensure that the beneficiary businesses put into practice what they are taught which will assist in monitoring the effectiveness of these sessions.

The study recommends that the partners to the fund should be allocated enough time required to fully interact with the beneficiary businesses so as to ensure that businesses can tap maximum knowledge from these parties. The study also recommends that the partners to the fund need to be encouraged by the county government to share much knowledge as possible to these businesses so that they can fully commercialize on the knowledge given. The study further recommends that the various stakeholders in collaboration with the county should extend technical support and guidance after particular knowledge is shared so that the beneficiaries can capitalize on ideas shared. The study also recommends that the county government should enshrine strategic leadership development programs within their fund activities and objectives in order to ensure that strategic leadership competencies are imparted to the owners of the beneficiary businesses so that the strategic positioning of these businesses can be enhanced. Adequate time allocation and facilitation should be provided to enhance the effectiveness of these programs.

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