INFLUENCE OF DEMOGRAPHIC FACTORS ON THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN KAJIADO COUNTY, KENYA

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ABSTRACT

This study reviewed both theoretical and empirical literature that has tried to explain the relationship between demographic factors and financial performance. The study particularly considered studies done in Kenya and other countries that have examined relationships between such factors and their influence on SME financial performance. The study used secondary data gathered from financial and regulatory institutions, sampled SMEs within the county and primary data from the owner/managers of the same SMEs to acquire information regarding demographic characteristics of owner/managers and financial performance of the SMEs. Data analysis was done using Statistical Package for the Social Sciences (SPSS) that was used to conduct a correlation analysis between the independent variables and to produce a regression equation between the dependent and the independent variables The study findings indicate that education had a significant positive effect on the financial performance of SMEs in Kajiado County. The findings also show a positive correlation between income and financial performance. Furthermore, the findings also show a positive correlation between employment and financial performance. The study recommends that the SME managers/owners should seek to advance their education levels in relevant fields like book keeping and communication. The study also recommends initiatives be put in place by SMEs managers/owners to enhance their incomes independent of the SMEs. This will cause most SMEs to experience improved financial performance. Furthermore, the study recommends that in order for most SME owners/managers to experience better financial performance in their organisations, they should improve their employability before starting out as entrepreneurs. The findings of this study will be used to inform policy makers and other stakeholders on the extent to which education, income and employment influence financial performance of SMEs. This will help in predicting, guiding and ensuring sustainability and growth of SMEs in the county by applying measures on these demographic factors when managing the county's economy. The study will form a basis for more research on dynamics around SME performances within Kenya, it will also add to the existing body of literature on the topics encompassing demography, finance and economics of a country.

Keyword: *Demographic Factors, Education, Income, Employment, Financial Performance*

INTRODUCTION

Small and medium enterprises (SMEs) represent 80% of industrial base of most of the developed countries (Kenya Agribusiness and Agroindustry Alliance, 2020).According to AllAfrica (2021) an (organization operated by AllAfrica Global Media, a multi-media content service provider and hosted by AllAfrica, Inc., the largest electronic distributor of African news and information worldwide),in Kenya, SMEs create 80 percent of employment, establish a new middle class and stimulate the demand for new goods and services. Most SMEs fall under the informal sector. The informal sector is estimated to constitute 98 percent of business in Kenya, contributing 30 percent of jobs and 3 percent of Kenya's GDP. Parminder (2020) while writing for the World Bank pointed out that economic development depended to a large extent on the active and enthusiastic participation of intelligent entrepreneurs in the economic process. Rapidly developing countries have inculcated this strategy as an anchor to their development for instance, the growth of small scale industries sector has been a dominant feature of Indian economic development strategy since independence (Neetu 2012).

Recent times have seen most developing countries face major economic challenges. Characteristically developing economies have; budgetary deficits and are therefore debt laden, low per capita income, high population growth rates, high unemployment rates, a rapidly growing middleclass, high dependence on the primary economic sectors among others.

Kenya as a developing country falls within the group and exhibits two major economic challenges; debt and high rates of unemployment. Debt is attributable to the fact that in a period bordering the last seven to ten years the Kenyan government borrowed heavily (through different/alternative instruments) to finance capital intensive projects such as roads, railway lines and even ports. Benefits of such projects are not immediately realizable to cushion the government from the hefty debt repayment commitments it has to and is undertaking currently.

These commitments have gobbled up funds that might have been channeled to other sectors of the economy to spur growth. Unemployment on the other hand is attributable to the fact that the country's job creation has failed to keep pace with growth of the unemployed population (people actively looking for work) in the economy. According to a 2019 World Bank report dubbed 'Kenya Social Protection and Job Programmes Public Expenditure Review', nine million individuals are expected to enter the labor force in a decade between 2015 and 2025, further pushing up the country's unemployment rate which stood at 9.3 per cent (Kenya Economic Survey 2019). A painstaking look at the country's debt repayment obligations in the near future does not paint a great picture. Kenya's total debt as at December 2019 stood at 6,048,926.50 Million (CBK data) having grown 15% from the December 2018 levels. Government debt accounted for 62.1 % of the country's Nominal GDP in Dec 2019, compared with the ratio of 59.3 % in the previous year. With this noticeable trajectory, it is clear that the government will - both in the short run and long run - find it difficult to allocate adequate resources towards rapid economic expansion and job creation initiatives.

These two facts paint a bleak picture of the economy and in understanding this, the Kenyan government has encouraged entrepreneurship through facilitating the SME sector and putting in place policies and a business environment that would promote small and medium enterprises (SMEs). This strategy looks at SMEs to be a key driving force of the economy for the foreseeable future that while the government is incapable of creating enough jobs and large corporations are either not adequately mopping up the unemployment pool or instituting downsizing programs. From a macroeconomic perspective, job creation and economic growth is steadily becoming the bulwark of new ventures and their respective SMEs to defend.

SMEs have been thus touted as the key solution to these employment needs and the government has in turn been supportive of the SME sector which employs up to 67% of workers in the country. Analyzing this further, in 2014, 17% of all workers worked in the formal sector while 83% worked in the informal sector. Interviews at KNBS and the MSE authority revealed that the informal sector is considered to represent SMEs.

They are characterized as semi organized, unregulated, and use low and simple technologies with low numbers of people employed per business (KNBS 2014.) This excludes small scale farming and pastoralist activities.

This study identifies the impact of selected demographic factors that influence the financial performance of an SME. In contrast to prior research studies which examined all the demographic variables pooled together, this study narrowed down to three variables; education, employment and income to wholesomely exhaust their impact on the financial vitality of an enterprise.

A majority of studies in Kenya have looked at the importance of demographic variables such as religion, economic status, income, personality, age, gender, education levels, employment status and experience as factors influencing entrepreneurship performance. The wide and universal scope of such research studies serve to neutralize key imperative country specific factors. It is also important that, in the Kenyan perspective, to get a clear picture of these factors influencing financial performance.

Statement of Problem
Small and medium enterprises are major agents of economic growth and employment. In Kenya, 70% of small and medium sized enterprises (SMEs) in Kenya fail within their first three years of existence (Kenya Institute of Management, 2017). The livelihood of most residents Kajiado County is based on business oriented activities. According to the Kenya Informal Enterprise Survey (2013), SMEs perform poorly due lack of proper management. Most have stagnated and others closed down.

This paper reports the findings of a study aimed at identifying critical success factors in demography and financial performance and efforts are made to have the knowledge of how they interrelate. SMEs in the commercial sector are vital to nearly all economies in the world, particularly to those in developing countries whose main challenges are employment and income distribution (Omore et al, 2012).

Many researchers have written a lot on factors affecting financial performance of SMEs in different areas around the world. For example, Kirui (2012) conducted a research on 'Challenges facing SMEs in Kenya', Subhan et al, (2013) conducted a research on 'Innovation in SMEs and impact of economic development in Pakistan', Monge et al,(2015) conducted a research on 'Information and Communication Technologies and SMEs performance in Costa Rica', Olugbenga (2012) conducted a research on 'Policy support and performance of SMEs enterprises in South west Nigeria', and Seker and Correa (2010) they also conducted a research to study the 'Obstacles to growth for SMEs in Turkey'. However, none of these studies has focused on the demographic factors that affect financial performance of small and medium enterprises (SMEs).

In Africa, there are a small number of researches done on how the capital structure and SMEs performance relate to one another. Olayiwola and Chechet (2005) studied the 'Relationship between capital structure and profitability of quoted companies in Nigeria' while Mwangi and Birundu (2015) looked at 'The Effect of Capital Structure on the Financial Performance of Small and Medium Enterprises in Thika Sub-County, Kenya'. Boateng (2004) studied 'The determining factor on capital structure in international joint ventures'. Also, not a single study focused on how demographic factors influence SME financial performance.

The major gap from the researched studies was that the influence of demographic factors financial performance had not been undertaken comprehensively. No study known to the researcher had been done to find out the relationship if any exists between demographic factors and SME financial performance. This study was therefore motivated by this gap in knowledge and sought to answer the question: Is there influence of demographic factors on SME financial performance in Kajiado County?

Objectives of the Study

The general objective of the study was to determine the influence of demographic factors on the financial performance of Small and Medium-sized Enterprises (SMEs) in Kajiado County. The specific objectives of the Study were;

- To determine the influence of education on financial performance of SMEs in Kajiado County.
- To determine the influence of income on financial performance of SMEs in Kajiado county
- To evaluate the influence of employment on financial performance of SMEs in Kajiado County.

The study was guided by the following research questions:

- Does education influence financial performance of SMEs in Kajiado County?
- Does income influence financial performance of SMEs in Kajiado County?
- Does employment influence financial performance of SMEs in Kajiado County?

LITERATURE REVIEW

Theoretical review

### Gibrat's Law on Growth of the Firm/ Law of Proportionate effect

Gibrat (1931) suggested that proportionate growth rate of a firm is completely random and independent of firms' initial size or previous growth rates. This is known as Gibrat's Law or the Law of Proportionate Effect. Factors that influence firm growth such as increase in demand, management talent and innovation, organisational structure and luck, are distributed across firms in a manner which cannot be predicted from information about firm's current size or its previous growth performance (Goddard et al ., 2001). In fact, firm growth is the result of a multiplicative process that affects the initial size. The factors that can affect firm growth relate not only to the firm, but also to its environment. While Gibrat's theory had little immediate impact, the 1950s and 1960s saw a revival of stochastic firm growth theory. According to Sutton (1997), there is no optimum size to which firms will converge, the likelihood of growth is independent of initial size and so expected growth and its variability are the same for all firms, past growth does not affect current growth since there is no serial correlation both between firms and over time, firm size dispersion increases over time, so market concentration is higher if the number of firms remains constant and the variance of firm growth rates is equal for all sizes. This means that the variance of firm growth rates for small firms is equal to the variance of firm growth rates for large firms. In other words, Gibrat's Law postulates that the "probability that the next opportunity is taken up by any particular active firm is proportional to the current size of the firm."

Behavioral Theory of the Firm

Nelson and Winter's (1982) evolution theory is loosely based on a biological evolutionary model, where organisms, with genetic material, evolve in response to their changing environment. Their goal is to use models of evolutionary theory to improve economic theory. They are solely interested in the understanding of economic problems, with the core concern of their evolutionary theory being the dynamic process by which firm behavior patterns and market outcomes are jointly determined over time.

In order to understand contemporary economic decision-making, we need to supplement the study of market factors with an explanation of the internal operation of the firm (Cyert and March, 1963). Their work presents the firm as a complex organization defined by its unique goals, expectations, and standard operating procedures. Because each firm is uniquely defined by these aspects, firms are heterogeneous and thus not easily modeled. This heterogeneity creates inequalities in both short and long-term performance, as each firm's unique characteristics make it better or worse suited than its rivals to succeed in a given environment. Cyert and March argue that a behavioral theory of the firm requires attention to organizational goals, expectations, choice, and control. Only through these characteristics can one truly understand how firms function

Conceptual Framework
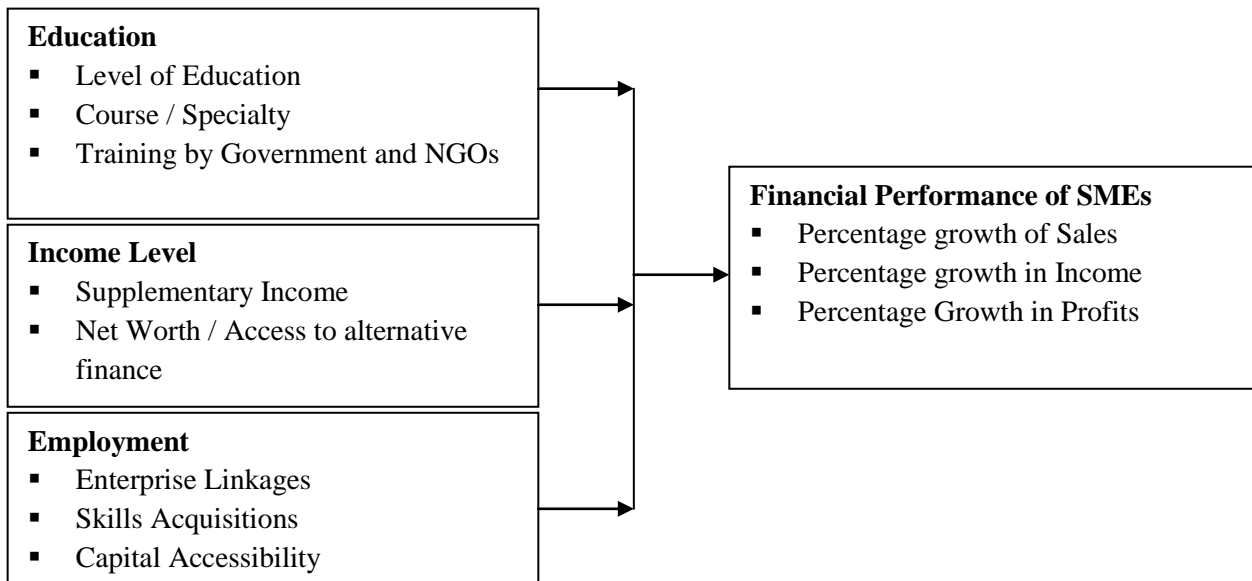
Independent Variables   Dependent Variable

Figure 1: Conceptual Framework

METHODOLOGY

Research Design: This study adopted a descriptive survey research design that is structured to analyze the happenings in the environment and investigate organizations in settings within which they operate from (Kothari, 2014). The design gives sufficient room for the coalescing of both quantitative and qualitative data with their attendant data collection instruments.

Target Population: For this study 167 SMEs in Kajiado were targeted. According to Kajiado County Business Registry (2016) ninety nine per cent of these SMEs are based in Kajiado, Ongata Rongai, Kitengela and Kiserian towns. This target group was chosen because it is a homogenous group having diverse preferences yet are operating under similar conditions and who bare similar characteristic capital structures and sizes and would therefore be in a better position of giving valid results.

Sampling Frame: A sampling frame is the source material or device from which a sample is drawn. A sampling frame includes the actual list of individuals included in the population (Nesbary, 2000). In this study people engaged in the SME sector in Kajiado, Kitengela, Ongata Rongai and Kiserian sub-counties of Kajiado County composed the sampling frame.

Sample size and Sampling Technique: The study adopted a simple random sampling to select 50 small and medium enterprises in Kajiado County. From the county's central business registry, the top 50 SMEs have an asset base of between 15-20 million Kenya shillings.

Research Instruments: The research instrument designed to attain this study's objectives and test hypothesis is a self-administered questionnaire. To determine the demographic factors (education, income level and employment) influence on financial performance of SMEs in Kajiado County, the researcher prepared a questionnaire (see appendix 1) which was administered to the intended respondents (owners/managers of the sampled SMEs). To determine the financial performance indicators, the researchers analysed the financial records of the sampled organizations.

To induce the cooperation of the respondents, the nature and purpose of the research was made known to the respondents and anonymity assured. The research instrument needed to be reliable. Test of reliability was

done to ensure that the instrument measured consistently and also to show the extent to which the researcher can confidently rely on the information obtained through the use of the instrument adopted to gather data for the research work. This was done by use of the Cronbach's alpha test.

Data Collection Technique: This study used both primary data (to collect information on demographic factors) and secondary data to solicit information needed in this study. The type of data collected from secondary sources included; percentage growth of sales, percentage growth in revenue, percentage growth in profits from analyzing the SME's financial statements for a period of 5 years (2017-2022).

The sample SMEs were requested to provide their financial statements to facilitate extraction of the data to be used in the study. The collected data was captured in excel and Statistical Package for Social Sciences for the purpose of data analysis.

Data Analysis and Presentation: A descriptive analysis was employed. Quantitative method of data analysis was used. Data was coded and thereafter analyzed using Statistical Package for Social Sciences (SPSS) program and presented using tables and charts to give a clear picture of the research findings at a glance. Results were presented in tables and charts. Correlation and regression analysis were used to establish the association and effect of independent variables and the dependent variable.

The model is to be held as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:

β_0 - an intercept term

X_1 – Income level

X_2 - Employment

X_3 - Education

β_n - A set of parameters for the independent variables

e - The residual/noise element

Y - Financial performance

RESULTS

Response Rate

The response rate was based on total number of 50 questionnaires administered to all 50 owners Small and Medium-sized Enterprises (SMEs) in Kajiado County, Kenya which were duly attended to and returned. This is shown in table 1.

Table 1: Response Rate

Response	Frequency	Percent
Returned	43	86
Unreturned	7	14
Total	50	100.0

Source: Research Data (2022)

Table 1 indicated that those respondents who responded account to 86% and those who did not account for 14%. According to Mugenda and Mugenda (2003) a response rate of 50% is adequate for a study, 60% is good and 70% is excellent for a study. Therefore, this response rate was considered to ideal and reliable for the study. Response rate is an important component of a study. It gives an indication of the quality of research findings as well the level of reliability that could be placed on the results. Whereas some previous studies indicated that high response rate yielded accurate results, others are not in agreement. A study by (Rear and Parker, 1997) indicated that higher response rates assured more accurate survey results. The findings by Rear

and Parker (1997) contradicted an earlier finding by Visse et al., (1996) which showed that even surveys with lower response rates yielded more accurate results.

Descriptive Statistics

Descriptive statistics such as means and standard deviations were used to present that quantitative data with the use of Statistical Package for Social Sciences (SPSS) version 25. The findings of the descriptive statistics were based on study variables, which include education, income and employment. The findings are presented as follows. Key: SA – Strongly Agree, A – Agree; U – Undecided; SD – Strongly Disagree, D – Disagree; M – Mean; SD – Standard Deviation

Education

The study sought to establish influence of education on capital structure and financial performance of SMEs in Kajiado County. The findings are presented in Table 2.

Table 2: Education

Statement	SA %	A %	U %	D %	SD %	M	SD
My education has equipped me with skills to run the business	50.7	43.2	2.7	3.4	0.0	4.4	0.161
My education level enables my creativity in running the business	60.9	38.4	0.7	0.0	0.0	1.1	0.431
I communicate better with my staff and customers due to my education	40.4	55.5	0.0	0.7	3.4	3.5	0.785
Aggregate	**50.7**	**45.7**	**1.13**	**1.4**	**1.13**	**3.0**	**0.459**

Source: Research Data (2022)

The findings in Table 3 show that the respondents agreed that education had an influence on capital structure and financial performance of SMEs in Kajiado County as indicated by the aggregate mean score of 3.0 and which vary significantly as shown by the standard deviation of 0.459. Majority (50.7%) strongly agreed that agreed that their education has equipped them with skills to run the business 43.2% agreed, 2.7% undecided and 3.4% disagreed with a mean of 4.4 and a standard deviation of 0.161.Majority (60.9%) of the respondents strongly agreed that their education level enables their creativity in running the business 38.4% agreed and 0.7% undecided with a mean of 5.1 and a standard deviation of 0.431.Majority (55.5%) of the respondents agreed that they communicate better with their staff and customers due to their education, 40.4% strongly agreed, 3.4% strongly disagreed and 0.7% disagreed with a mean of 3.5 and a standard deviation of 0.785.

These findings are in line with the findings of Dinesh and Osward (2015), who opines that a good quality education can have an impact on entrepreneurial development as it can enhance an individual's level of self-efficacy and self-confidence. The authors further argued that education aids in the process of building absorptive capacity of managers such as confidence, psychology, knowledge and skills. Chowdhury, Alam & Arif (2013) explained that educated people are creative are creative and innovative and are always looking for something unique to fulfill a need or a want. One downside of these assertions is that they do not granulate education into its different subject matter (sciences, arts, humanities and languages) and try to infer that education on which subject equips one better in terms of skill, knowledge or creativity to be an entrepreneur.

Income level

The study sought to determine the effect of income level on the SMEs' growth in Kajiado County. The findings are presented in Table 4.

Table 4: Income level

Statement	SA %	A %	U %	D %	SD %	M	SD
I am able to acquire informal finance/loans/contributions	63.0	34.2	0.0	2.1	0.7	3.3	0.593
I have innovative ways to generate and acquire other revenue	69.9	29.5	0.0	0.7	0.0	4.2	0.774
My business is located in a business zone hence income is forthcoming	57.5	39.7	0.7	2.1	0.0	3.0	0.826
I have steady income from my other trade/employment.	50.7	45.7	1.13	1.4	1.13	3.0	0.459
I am able to access business grants or sponsorships	63.5	34.5	0.23	1.63	0.23	3.5	0.731
Aggregate	**60.9**	**36.7**	**0.412**	**2.846**	**0.412**	**3.4**	**0.677**

Source: Research Data (2022)

The findings in Table 4 shows that the respondents agreed that income had influence on financial performance of SMEs in Kajiado County as indicated by the aggregate mean score of 3.5 and which vary significantly as shown by the standard deviation of 0.731. Majority (63.0%) strongly agreed that they are able to acquire informal finance/loans, 34.2% agreed, 2.1% disagreed and 0.7% strongly disagreed with a mean of 3.3 and a standard deviation of 0.593. Majority (69.9%) of the respondents strongly agreed that they have forged innovative ways to generate supplement income, 29.5% agreed and 0.7% disagreed with a mean of 4.2 and a standard deviation of 0.774. Majority 57.5% of the respondents strongly agreed their businesses are located in a business zone hence income is forthcoming, 39.7% agreed, 2.1% disagreed and 0.7% undecided with a mean of 3.0 and a standard deviation of 0.826. Majority (50.7%) of the respondents strongly agreed that they have steady income from other trade/employment, 29.5% agreed and 0.7% disagreed with a mean of 4.2 and a standard deviation of 0.774.Majority 63.5% of the respondents strongly agreed that they were able to access business grants, 34.5% agreed, 1.63 % disagreed and 0.23% undecided with a mean of 3.5 and a standard deviation of 0.731.

These findings concur with the findings of Radipere & Dhliwayo (2014) who argue that that levels education have an effect on income. Levels of education will determine how effective additional training e.g. SME training by the government or the private sector is given a good foundation of knowledge in imperative business management practices such as book keeping, inventory management and human resource management. It, therefore, can help alleviate management issues that often confront small businesses.

Employment

The study sought to identify the Influence of employment on capital structure and financial performance of SMEs in Kajiado County. The findings are presented in Table 5.

Table 5: Employment

Statement	SA %	A %	U %	D %	SD %	M	S. Dev
I can develop my own products/services and create a market given my experience	47.5	28.8	10.2	10.2	3.4	4.1	1.134
I can do what my employer does and even do it better	5.6	49.2	5.1	4.1	5.1	4.0	1.401
I am now confident I can cope with unexpected challenges.	42.4	49.2	3.4	3.4	1.7	4.3	0.287
I admire my employer and I would like to be as successful.	39.0	47.5	10.2	3.4	0.0	4.2	0.767
My employer has motivated me to start my own business.	36.1	43.4	5.78	5.24	3.4	4.02	0.943
I have gained a good network through my colleagues	60.3	37.7	0.7	1.4	0.0	3.5	0.655
Employment has opened up more sources of finance to run my business e.g. soft loans from colleagues	43.2	48.6	1.4	2.1	4.8	3.9	0.706
I am able to easily get bank loans because of my job	45.7	40.5	2.3	2.8	4.3	4.8	0.812
Aggregate	**39.98**	**43.11**	**4.89**	**32.64**	**2.84**	**4.10**	**0.838**

Source: Research Data (2019)

The findings in Table 5 showed that the respondents agreed that employment had an influence on financial performance of SMEs in Kajiado County as indicated by the aggregate mean score of 4.02 and which vary significantly as shown by the standard deviation of 0.943. Majority (47.5%) of the respondents strongly agreed that they can develop their own products/services and create a market given their experience, 28.8% agreed, 10.2% were neutral and disagreed respectively and 3.4% strongly disagreed with a mean of 4.1 and a standard deviation of 1.134. Majority (49.2%) of the respondents strongly agreed that they can do what their employer does and even do it better, 5.1% were neutral, disagreed and strongly disagreed respectively with a mean of 4.0 and a standard deviation of 1.401.

Majority (49.2%) agreed that they were confident that they can cope with unexpected challenges, 42.4% strongly agreed, 3.4% were neutral and disagreed respectively and 1.7% strongly disagreed with a mean of 4.3 and a standard deviation of 0.287. Majority (47.5%) agreed that they admire their employer and they would like to be as successful, 39.0% strongly agreed, 10.2% neutral and 3.4% disagreed with a mean of 4.2 and a standard deviation of 0.767. Majority (43.4%) agreed that their employer has motivated me to start their own business, 36.1% strongly agreed, 5.78% were undecided, 5.24% disagreed with a mean of 3.4 and a standard deviation of 0.943.

Majority (60.3%) agreed that they have gained a good network through their colleagues, 37.7% agreed, 0.7% were neutral and1.4% disagreed, 0.0% strongly disagreed respectively with a mean of 3.5 and a standard deviation of 0.655. Majority (48.6%) agreed that employment has opened up more sources of finance to run their business e.g. soft loans from colleagues, 43.2% strongly agreed, 1.4% neutral and 2.1% disagreed with a mean of 3.9 and a standard deviation of 0.706. Majority (45.7%) strongly agreed that they are able to easily get bank loans because of their job, 40.5 % agreed, 2.3% were undecided, 2.8% disagreed with a mean of 4.8 and a standard deviation of 0.812.

These findings agree with the findings of the World Bank report, Informal Enterprises in Kenya 2016, is that the education level of manager is highly correlated with the level of labor productivity of the surveyed firm. This therefore has a relationship with the financial performance of that particular firm

Financial performance

The study sought to establish the influence of demographic factors on financial performance of Small and Medium-sized Enterprises (SMEs) in Kajiado County. The researcher looked at the financial records of the businesses including the percentage growth in sales, percentage growth in income and the percentage growth in profit. The findings are presented in Table 6.

Table 6: Percentages of SMES' Growth

Period of time in this the business(years)	0-5	5-10	10-20	Over 20	Mean
Growth in Sales	3.6	3.8	4.3	3.7	**3.78**
Growth in income	4.5	10	13	15	**12.3**
Growth in Profit	6.3	5.6	8.3	6.7	**6.725**
Average	**4.8**	**6.5**	**8.5**	**8.5**	

Source: Research Data (2022)

The results in the above Table 6 showed the respondent distribution in terms percentage of growth in sales, income and profit. From the table, it can be seen that growth in terms of sales average at 12.3%, and growth in income at 3.78% and growth in profit at 6.725%.

Regression Analysis

Regression analysis was used to model, examine, and explore the relationships between the dependent variable financial performance of Small and Medium-sized Enterprises (SMEs) in Kajiado County., Kenya against the three independent variables (education, income level & employment) used for the study.

Model Summary

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.868[a]	.754	.719	.23437

a. Predictors: (Constant), BLR, OR

The three independent variables (education, income level & employment) that were studied, explain 75.4% of the financial performance of Small and Medium-sized Enterprises (SMEs) in Kajiado County. This therefore means that other factors not studied in this research contribute 24.6% of the financial performance of Small and Medium-sized Enterprises (SMEs) in Kajiado County.

Analysis of Variance (ANOVA)

Analysis of Variance (ANOVA) was used to determine the linear relationship among the variables under investigation. Using this method, the sum of squares, degrees of freedom (df), mean square, value of F (calculated) and its significance level was obtained. The results are shown in Table 8.

Table 8: ANOVA

<table>
<tr><th colspan="7">ANOVA[a]</th></tr>
<tr><th colspan="2">Model</th><th>Sum of Squares</th><th>Df</th><th>Mean Square</th><th>F</th><th>Sig.</th></tr>
<tr><td rowspan="3">1</td><td>Regression</td><td>3.540</td><td>3</td><td>1.180</td><td>21.483</td><td>.000[b]</td></tr>
<tr><td>Residual</td><td>1.154</td><td>97</td><td>.055</td><td></td><td></td></tr>
<tr><td>Total</td><td>4.694</td><td>100</td><td></td><td></td><td></td></tr>
</table>

Source: Research Data (2019)

From the data findings in table 8 above, the sum of squares due to regression is 3.540 while the mean sum of squares is 1.180 with 3 degrees of freedom. The sum of squares due to residual is 1.154 while the mean sum of squares due to residual is 0.055 with 97 degrees of freedom. The value of F calculated is 21.483 and the significance value is 0.000. The p value is 0.000. Since the p value is less than 0.05 it implies that the relationship is significant at 95% level of significance; the model is therefore significant for the study and prediction.

Correlation analysis

Table 9: Correlation analysis

		FP	SAL	OI	PT
FP	Pearson Correlation	1	.808**	.064	0.89
	Sig. (2-tailed)		.000	.759	.672
	N	25	25	25	25
SL	Pearson Correlation	.808**	1	-.095	058
	Sig. (2-tailed)	.000		.652	.784
	N	25	25	25	25
OI	Pearson Correlation	.064	-.095	1	.827**
	Sig. (2-tailed)	.759	.652		.000
	N	25	25	25	25
PT	Pearson Correlation	089	058	.827**	1
	Sig. (2-tailed)	.672	.784	.000	
	N	25	25	25	25

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

The findings show positive correlation between financial performance and percentage growth of sales with a correlation coefficient of 0.808. This implies that the small and Medium-sized Enterprises (SMEs) in Kajiado County can improve their performance by improving on their sales. The findings also show a positive correlation between financial performance with income having a correlation of 0.064. This implies a very low correlation between income level and financial performance.

The study shows a positive correlation between financial performance and profits with correlation of 0.89. This implies that the increasing profit can significantly increase the financial performance of small and Medium-sized Enterprises (SMEs) in Kajiado County. These findings illustrate the results obtained from correlation analysis for the sampled firms for the period of study at 0.05 percent level of significance.

Coefficient of Determination
Table 10: Coefficient of Determination

Coefficients Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.540	.645		3.231	.001
	Sales	0.701	.082	0.135	4.421	.011
	Operating income	0.834	.214	0.051	3.715	.004
	profit	0.791	.234	0.001	6.687	0.02

a. Dependent Variable: FP
b. Predictors: (Constant), Sales, Operating income, Profit
Source: Research Findings (2022)

From the above regression model, holding sales, income and profit constant financial performance of Small and Medium-sized Enterprises (SMEs) in Kajiado County would be 0.542. Sales, income and profit had a positive and significant effect on the financial performance of Small and Medium-sized Enterprises (SMEs) in Kajiado County. The relationships ($p < 0.05$) are all significant with sales (t= 4.421, $p < 0.05$), income (t = 3.715, p< 0.05) and profit (t = 6.687, $p < 0.05$).The coefficient table above was used in coming up with the model shown below.

Financial performance = $0.540 + 0.701X_1 + 0.834X_2 + 0.791X_3$

In regard to how sales influence the financial performance Small and Medium-sized Enterprises SMEs,the respondents indicated that sales have a direct correlation on the financial performance Small and Medium-sized Enterprises SMEs. Increased sales will help in enhancing profitability. This will lead to increased financial performance. Therefore, managers of SMEs are encouraged to make efforts to grow their sales that will assist in enhancing their financial performance.

With regards to how income level parallel to the business influence the financial performance Small and Medium-sized Enterprises SMEs, the respondents indicated that income has a direct correlation on the financial performance of SMEs. Increased income levels help in enabling the SMEs to be able to have enough liquidity that can help in meeting their financial obligations thereby enhancing the financial performance of SMEs.

CONCLUSION AND RECOMMENDATIONS

Summary of the study

The general objective of this study was to investigate the influence of demographic factors on financial performance of Small and Medium-sized Enterprises (SMEs) in Kajiado County. Despite the importance of SMEs, they continuously face challenges. These challenges include: financial challenges that hinder growth and contribute to closure (Wambugu, 2005). Despite many academic studies having been conducted on financial performance of SMEs not one research has been done to examine the demographic factors (sales, income and profit). This study aims at filling this gap by finding how these demographic factors (employment, income level and education) affect financial performance of SMEs.

The specific objectives of the study were to establish the effect of employment, income and education on the financial performance of SMEs. The findings of the study are presented as follows; the study endeavored to test the following hypotheses; first, education has no effect on the financial performance of SMEs. Second, operating income has no effect on the financial performance of SMEs in Kajiado County and third employment has no effect on the financial performance of SMEs in Kajiado County.

The first research objective sought to establish the effect of education on the financial performance of SMEs in Kajiado County. The study revealed that increased education will help in enhancing profitability. This is by helping enhance business confidence and improving creativity. This will lead to increased financial performance. Therefore, managers of SMEs are encouraged to make efforts to enhance and encourage higher levels of education, confidence and creativity that will assist in enhancing their financial performance.

The second objective sought to establish the effect of income level on the financial performance of SMEs in Kajiado County. The respondents indicated that parallel income has a direct correlation to the financial performance of SMEs. Increased income helps in enabling the SMEs to be able to have enough liquidity that can help in meeting their financial obligations thereby enhancing the financial performance of SMEs.

The third objective was to establish the effect of employment on the financial performance of SMEs in Kajiado County. Increased employment leads to the acquisition of skills, role modeling, building of enterprise linkages and raising capital for business expansion. The study indicated that increased employment helps in

increasing the SMEs total income that leads to increased investment. Increased investment can lead to increased financial performance.

From the model, taking all factors (employment, income level and education) constant at zero, financial performance of SMEs had autonomous value of 0.540. The data findings analyzed also showed that taking all other independent variables at zero, a unit increase in education will lead to a 0.701 increase in financial performance of SMEs in Kajiado County. A similar increase in income will also lead to a 0.834 increase in the financial performance of SMEs in Kajiado County. Furthermore, a unit increase in employment will lead to a 0.791 increase in financial performance of SMEs in Kajiado County.

Conclusion of the study
The study findings indicate that education had a significant positive effect on the financial performance of SMEs in Kajiado County. The results show a positive correlation between education levels and financial performance with a correlation coefficient of 0.808. The study therefore concludes that education has a positive and significant effect on the financial performance of SMEs in Kajiado County. Education will help enhance confidence and improving creativity of the owners/managers. This will lead to increased financial performance. Therefore, owners/managers of SMEs are encouraged to make efforts to improve and encourage higher levels of education in their firms that will assist in enhancing their financial performance.

The study findings indicate that income had a significant positive effect on the financial performance of SMEs in Kajiado County. The findings also show a positive correlation between income and small enterprises with financial performance with a correlation of 0.064. This implies a very low correlation between income and the financial performance of SMEs in Kajiado County. The study therefore concludes that income level has a positive and significant influence on a positive effect on the financial performance of SMEs in Kajiado County. Increased income parallel to the business helps in enabling the SMEs to be able to draw on his/her liquidity that can help in meeting their financial obligations thereby enhancing the financial performance of SMEs.

The findings also show a positive correlation between employment and financial performance with a correlation of 0.89. This implies a very high correlation between employment and the financial performance of SMEs in Kajiado County. The study therefore concludes that   employment has a positive and significant influence on the financial performance of SMEs in Kajiado County. The study indicated that increased employment levels helps in increasing the SMEs total income that leads to increased investment. Increased investment can lead to increased financial performance.

This study will assist current and future academic students by providing them with adequate information regarding relationships between demographic factors (education, income level and employment) and financial performance relationship which are applicable to SMEs' growth. Researchers will be provided with studies to broaden the subject of the effect of demographic factors (education, income and employment) on the financial performance of SMEs. The empirical studies will be referenced by academic authors in other studies. This study has also contributed to bringing more understanding on the theories underpinning the study.

Recommendations of the study
Based on the conclusions of this study, several various recommendations were made. The recommendations are put into as policy, practice and further research.
The results show a positive correlation between education and financial performance of SMEs with a correlation coefficient of 0.808**.** This implies that growth of the SMEs can improve by increasing the levels of education. The study recommends that the SMEs business owners/managers should seek to come up with strategies that are geared towards increasing the education levels in the firms. This will cause most micro and small enterprises to experience improved growth.

The findings also show a positive correlation between income levels and the financial performance of SMEs with a correlation of 0.064. The study therefore recommends that in order for most SMEs to meet their visions; they should ensure that efforts are made by SMEs owners/managers to improve their income levels parallel to the business. The findings also show a positive correlation between employment and the financial performance of SMEs with a correlation of 0.89. The study therefore recommends that in order for most SMEs to experience increased financial performance, they should encourage the government and the private sector to create employment so as to enhance increased financial performance.

The results show a positive correlation between education and financial performance of SMEs. This implies that growth of the financial performance of SMEs can improve by increasing the education levels. The study recommends that the SMEs business owners/managers should seek to come up with strategies that are geared towards growing the education levels, quality and courses pursued that are meant to encourage and promote the financial performance of SMEs in Kajiado County.

The study concludes that income has a positive and significant influence on the financial performance of SMEs in Kajiado County. Therefore, the study recommends policy initiatives be put in place by SMEs owners/managers to enhance the income levels and those of their customers. This will cause most SMEs to experience improved growth. The study concludes that employment has a positive and significant influence on the financial performance of SMEs in Kajiado County. Therefore, the study therefore recommends that in order for most SMEs to experience increased financial performance, they should encourage both government and the private sector to increase the employment levels for the skill acquisition effect.

Study Limitations and Recommendations for Further Studies

The researcher faced challenges in undertaking the study such as approaching participants was limited by how they responded to information. Respondents feared giving information, due to possibility of intimidation, and fear of being blamed for creating a negative image of the business. Some respondents turned down participation. To overcome these limitations, the study presented University introduction letter for respondents' assurance of ingenuity and purpose of information, confidentiality, for academic reasons of the paper.

The study focused on demographic factors (education, income level and employment) and their influence on the financial performance of small micro enterprises. Therefore, the study recommends that further studies should be carried out focusing on other variables not studied. The coefficient of determination in the model suggests that there are other factors that contribute to the financial performance of SMEs in Kajiado County which should inform future research.

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