THE EFFECT OF EXTERNAL BUSINESS ENVIRONMENT ON THE LEVEL OF ENTREPRENEURIAL COMMITMENT IN NAIROBI’S URBAN PUBLIC TRANSPORT INDUSTRY.

A SURVEY STUDY OF GENERAL MOTORS ISUZU BUS ENTREPRENEURS

BY

ROSE MOMBO OLUKUNGA

UNITED STATES INTERNATIONAL UNIVERSITY

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THE EFFECT OF EXTERNAL BUSINESS ENVIRONMENT ON THE ENTREPRENEURIAL COMMITMENT IN KENYA’S PUBLIC TRANSPORT INDUSTRY; A SURVEY STUDY OF GENERAL MOTORS ISUZU BUS ENTREPRENEURS

BY
ROSE MOMBO

A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirements for the Degree of Masters of Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY

SPRING 2017
STUDENTS DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than United States International University

Signed………………………………… Date…………………………

Rose Mombo (ID 602226)

This research proposal has been presented for examination with our approval as the appointed supervisors.

Signed:

________________________                                  Date: __________________

Scott Bellows

Signed:

________________________                                  Date: __________________

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ABSTRACT

The general objective of the study was to analyze the effect of external business environment on the level of entrepreneurial commitment in Nairobi’s public transport industry, a survey study of General Motors Isuzu bus entrepreneurs. The study was guided by the following specific objectives. First to determine the influence of the level of entrepreneurial commitment on their success in the Matatu industry. Secondly, to determine the impact of financial freedom in Kenya on the commitment of entrepreneurs in the Matatu industry. Thirdly, to determine the impact of business freedom on the commitment of entrepreneurs in the Matatu industry. Finally, to determine the impact of investment freedom in Kenya on the commitment of entrepreneurs in the Matatu industry. The research used descriptive research design and carried out a survey among General Motors’ Isuzu bus entrepreneurs by use of structured questionnaires. The study targeted 33 seater minibus customers with an estimated population of about 137 respondents. The researcher used probability sampling, specifically stratified random sampling. The sample size for the study was 82 respondents. The study found a strong correlation between entrepreneurial commitment and success in the Matatu industry. However, although the empirical tests did not show a strong correlation between the explanatory variables of financial freedom, business freedom and investment freedom, it was contracted by the literature review. Most of the factors underlying entrepreneurial commitment showed a positive correlation with business success in the Matatu industry. According to the study, Kenya scores moderately well on average for all the indicators of entrepreneurial commitment but many of the entrepreneurs have yet to find better alternatives to leave the Matatu industry. The study concluded that there is a strong correlation between the active engagement by entrepreneurs and their commitment to the Matatu industry. It also concluded that there is a strong correlation between the availability of funds and investment level which ultimately affects the level of commitment of entrepreneurs. The study further concluded that business freedom is heavily affected by the regulatory environment and capital requirements of the entrepreneurs which affects their commitment. The study recommended greater stakeholder engagement initiatives coordinated by the Government of Kenya; more customised credit solutions for the sector; better networking opportunities for entrepreneurs in the sector; and more scholarship in the field of entrepreneurial commitment in Kenya.
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I take this opportunity to give thanks to the Almighty God for seeing me through this project. The work of carrying out this investigation needs adequate preparation and therefore called for collective responsibility of many personalities. The production of this research document has been made possible by invaluable support of many people. While it is not possible to name all of them, recognition has been given to a few. I am greatly indebted to my supervisor for his professional guidance, advice and unlimited patience in reading through my drafts and suggesting workable alternatives, my profound appreciation to you. I also appreciated the General Motors business fraternity for providing invaluable support in data collection. Special mention to my MD, Ms. Rita Kavashe that provided invaluable support. The contribution from the Sacco members within Nairobi area cannot be understated, they provided invaluable time and referrals to enable smooth data collection of the questionnaires. Without their immense cooperation I would not have reached this far. Thank you all. May the Almighty God bless you abundantly.
DEDICATION

I dedicate this work to my family and all those who supported me in the completion of this project.
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CHAPTER ONE

INTRODUCTION

1.1. Background of the study

The public transport industry is one of the most important sectors in any country given the critical role it plays in everyday life. This is especially so for developing countries such as Kenya owing to the fact that majority of the population are impoverished and unable to afford private transport. Additionally, the population dynamics of such countries make the provision of public transport services an onerous one for the governments. In this regard, the efficacy of entrepreneurial involvement in the sector cannot be overstated. Kenya, in particular has been grappling with the provision of essential public transport services for a long time now and the government’s inability to effectively perform this critical function led to the emergence of paratransit mode of transport referred to as Matatu as the primary form of public transport. Matatu is a colloquial term that was coined from the Kikuyu word *mang’otore matatu* for the 30 cents flat fee that was charged for fares when the matatus first started operating (McComick, Orero, Behrens, and Ommeh, 2015). The matatus are owned by individuals and private companies and are typically mini-buses with varying seating capacities.

The primary preoccupation of any country is to optimize public service provision for its citizens. Thaimuta and Moronge (2014) postulate that by providing a basic foundation for the movement of goods and services, a sustainable transport system is a critical component of public service provision. Considering the dependence of the majority of the population on public transport, solutions that involve the involvement of other actors apart from the government would stand the sector in good stead. Therefore, a situation such as the one in Kenya where there is dilapidated infrastructure, poor road network, rapid urbanization, high operational costs, and weak institutions, inevitably will lead to depleted public transportation (Thaimuta and Moronge, 2014). This paper explores the political business environment in Kenya by shedding more light on the investment parameters for entrepreneurs in the Matatu sector and their level of commitment within the Matatu industry.
This chapter makes an introduction of the topic of entrepreneurship within the Matatu industry then moves on to an explanation of the problem statement, the purpose of the study, research questions and objectives, the scope of the study and winds off with the definition of terms.

Kenya is mainly dependent on public transportation for the movement of people and goods which has made it the mainstay of its economy. The main reason behind its pre-eminence is the generally high poverty levels and the inability of most of the population to afford ownership of private vehicles. The public transport system in Kenya started in the early 1900s and was dominated by multinational bus companies such as the Overseas Trading Company (OTC) and the Kenya Bus Services (KBS) Company up to 1973 (Gicheru, Migwi, and M’Imanyara, 2011).

Thanks to the foundations laid down by the colonial power, Britain, during the aforementioned period the public transport sector was characterized by good organization, coordination and regulation. In fact, issues such as taxation and licensing were handled seamlessly while routing and scheduling were also blemish less (Gicheru, et al., 2011). This scenario was exemplified by travellers knowing when to arrive and leave a station and make their travel plans accurately.

The Matatus started off as an informal parallel system of public transport in the early 1960s although most of the 400 or so of them were operating mainly as taxis (Chitere and Kibua, 2004). The KBS, which was joined owned by the United Transport Overseas Company Ltd (75%) and the Nairobi City Council (25%), operated in major towns such as Nairobi, Mombasa, Kisumu, Nakuru and Eldoret. It was, however, unable to cope with the ever increasing demand for public transportation services (Chitere and Kibua, 2004). In 1973, following concerted lobbying from the Matatu operators, the then President of Kenya, Jomo Kenyatta decreed that Matatus were a legal mode of transport and could carry fare paying customers without have to procure special licenses but had to abide by existing insurance and traffic regulations (Chitere and Kibua, 2004).

The next couple of decades ushered in an increasing popularity for the Matatus such that by 1990, they made up 17,600 of the total 333,300 public transport vehicles (Chitere and Kibua,
2004). This number shot up by an incredible 56% by 2003 to 40,000 and comprised Nissans, mini-buses and pickups which were responsible for the livelihoods of almost 160,000 people and generated considerable revenue for the Government by way of licenses, taxes, and duty (Chitere and Kibua, 2004).

The exponential growth of the Matatu industry was not all good news since it was also accompanied by poorly maintained vehicles, recklessness by drivers, the employment of unqualified drivers, lack of a strict code of conduct, and a general disregard of road traffic regulations (Gicheru, et al., 2011). Entrepreneurship in the Matatu industry experienced a tremendous growth following the perceived emerging opportunities from the 1980s onwards when individuals who were unable to raise the required capital to privately own the Matatus and didn’t want to be saddled with the extra baggage of managing their own vehicles opted to start forming transport co-operative societies (Gicheru, et al., 2011). However, owing to mismanagement and competition from private public service vehicles in the paratransit industry, the few nascent co-operatives were unable to flourish (Gicheru, et al., 2011). The situation only started taking a turn for the better in the mid-1990s when private paratransit operators started combining efforts to manage routes, save and borrow money through Matatu Savings and Credit Co-operatives (SACCOs) and in the process restoring much needed sanity. In fact, the SACCOs transformed the image of the industry by increasing customer comfort, decreasing road accidents, intra and inter industry rivalry, and resulted in increased profitability for the operators (Gicheru, et al., 2011). Nonetheless, given the fact that the Matatu SACCOs only made up a small fraction of the general paratransit industry, their impact in the whole scheme of things was minimal.

The Kenyan Government was able to successfully get a handle of affairs in the paratransit industry in 2003 when legislation was passed that comprehensively addressed the regulatory issues in the public transport sector and comprised the Integrated National Transport Policy (INTP) and the National Road Safety Action Plan (NRSAP) (Gicheru, et al., 2011). These later became known as the “Michuki Rules” after the then Transport Minister, John Michuki, and brought the greatest success in regulation of the sector, albeit temporarily until the demise of Mr. Michuki. Since 2009, things have returned to the normal chaotic situation that preceded the Michuki rules.
Paratransit transportation refers to a mode of transport that operates parallel to an organized usually large-scale government-run and government-subsidized transport system (McCormick, Mitullah, Chitere, and Orero, 2013). Paratransit activities in South Africa are seen by some as an embodiment of the spirit of rugged entrepreneurship since they exhibit the twin attributes of flexibility and market responsiveness (Wilkinson, 2008). The mini-bus taxis, which make up the bulk of the paratransit mode of transportation in South Africa, are perceived as a chaotic freelance group who operate in a laissez-faire style (Woolf and Joubert, 2014). These mini-buses emerged as a result of the sporadic and unpredictable nature of the public transport system that prevailed during the apartheid period of 1948-1994 (Woolf and Joubert, 2014). The Motor Carrier Transportation Act of 1930 created a monopoly in the South African Transport Service (SATS) by outlawing the transportation of passengers by road without a permit and restricted taxis to no more than four passengers at a time ((Woolf and Joubert, 2014). By the 1970s, as a result of a loophole in the wording of the legislation, 8 seater minibuses emerged and were issued with area-based permits which authorized drivers to operate within a radius of 100 km around a central point (Woolf and Joubert, 2014).

Following a period of regulatory turmoil, the 1990s ushered in some formalized arrangement where local taxi liaison committees (later on known as local taxi councils) in all major cities and local authorities were mandated to regulate the industry (Woolf and Joubert, 2014). Entrepreneurship in the South African paratransit industry continues to face a number of critical challenges including the lack of a unifying regulatory entity; animosity between the taxi associations; overtrading; lack of formal employee training and job security; lack of proper salary structures and agreements; steep demands for daily turnover from taxi owners; amongst others (Woolf and Joubert, 2014).

There are two distinct categories of public transport services in Nigeria, the municipal bus services offered by the government owned corporations and various paratransit transport services provided by private operators (Aderamo, 2010). The latter is the more dominant of the two, making up an estimated 98%, and is characterized by lack of control; provision of erratic and unreliable services; and lack of clarity on route definition (Aderamo, 2010). The general public transit industry was at its most robust in the early1980s when government
owned corporations operated in the major cities of Nigeria including Lagos, Kaduna and Port Harcourt. However, the industry was hit hard by various Federal economic reforms towards the end of the decade resulting in sharp decrease in new vehicle ownership in the sector and ultimately an acute shortage of public transport vehicles (Aderamo, 2010). This prompted the introduction of the Urban Mass Transit Program in 1988 to help moderate the national urban transit system; alleviate the problems of urban commuters and the general masses; and lay the foundation for organized mass transit in Nigeria. Indeed, this resulted in a reduction in the overriding gap between the demand and supply and ensuring availability of public transportation in all states of Nigeria (Aderamo, 2010).

1.2. Problem Statement

Entrepreneurship plays a critical role in the advancement of the industrial objectives of a country. Joseph Schumpeter prescribed an approach to entrepreneurship that focused on innovation as primary driver of productivity in a given economy (Jones and Wadhwani, 2006). In Kenya, innovation is manifested in the matatu sector in a number of ways including the shapes of the vehicles, the music systems used, the additional comforts in the vehicles, amongst others which are used to attempt to facilitate the attainment of competitive advantages for the entrepreneurs. However, there are many stumbling blocks that limit the accomplishment of entrepreneurs in the sector. The matatu sector has for a long time being riddled with operational problems such as a model that encouraged drivers to compete aggressively for passengers in the road space, drive dangerously, overload vehicles, extend passenger waiting times at termini during off-peak times, and withdraw services during off-peak times (McCormick, et al., 2015). Consequently, the actors in the sector decided to voluntarily start Savings and Credit Cooperatives (SACCOs) in the 1990s and 2000s to attempt to bring some sanity to the mode of service provision and this was further boosted by authorities in 2010 when a decree was effected that all inter-city and intra-city operators will be required to join a registered SACCO in order to get an operating licence (McCormick, et al., 2015). The problem is that the lack of adequate regulation of the paratransit sector in Nairobi has made it difficult for entrepreneurs to effective manage their operations.

According to Israel Kirzner, entrepreneurs are individuals who secure profitable positions through the exploitation of knowledge and information gaps that arise between people in the
market by being alert to any opportunities that avail themselves thereby acting as arbitrageurs (de Jong and Marsili, 2010). This is behaviour that has also been witnessed in the matatu sector when entrepreneurs take advantage of events and occasions such as university graduations and take their vehicles to such events to exploit the large commuter numbers so as to earn higher profits than they would have had they served their normal routes. However, given the greater competition that has been experienced in the sector, such opportunities continue to provide increasingly slim pickings for entrepreneurs thus making it less viable to continue in the industry.

Another critical factor is the high cost of maintenance and running expenses in the matatu sector. Operators typically break-even within about three to four years and the vehicles have an average lifespan of five to six years depending on the condition of the roads in the operator’s route (Kinuthia, 2013). Operational costs include fuel costs, tire replacement, body work repairs, general maintenance of bulbs, regular service, brake pads replacement, replacement of suspension bushes, amongst others. These costs are exacerbated by the drivers’ recklessness on the roads which brings on the additional cost dimension of fines and penalties. The Traffic Act of Kenya stipulates that fines ranging from KES. 500 to KES. 10,000 be charged for minor offenses and fines not exceeding KES. 100,000 for serious offenses (National Council for Law Reporting, 2012).

1.3. **Purpose of the study/General Objective**

The purpose of the study was to determine the effect of the external business environment on the level of commitment of entrepreneurs in Kenya’s public transport industry by focusing on the General Motors Isuzu Bus entrepreneurs.

1.4. **Research Questions/Specific Objectives**

1.4.1. What is the influence of the level of entrepreneurial commitment on their success in the Matatu industry?

1.4.2. What is the impact of economic and business freedom in Kenya on the commitment of entrepreneurs in the Matatu industry?
1.4.3. What is the influence of financial freedom in Kenya on the commitment of entrepreneurs in the Matatu industry?

1.4.4. What is the influence of investment freedom in Kenya on the commitment of entrepreneurs in the Matatu industry?

1.5. Significance of the Study

1.5.1 The government as a policy maker

This study would provide important facts on how the government can step in to enhance the investment committed to the transport sector since it is an important part of the economy. The study would also highlight on areas in the public transport industry that are not well regulated so that the government can initiate the formulation of regulations to manage the areas. The study would also identify the role the government ought to play to enhance the performance of the public transport sector in Kenya.

1.5.2 Investors/Entrepreneurs

Key players in the transport industry like investors and private sector business commentators would use the study to get information on the actual state of things in the transport industry and from the information be able to mobilize the right persons to invest or play their role to enhance the performance of the sector. In addition, the study will be useful to investors particularly interested in the Matatu Subsector of the transport industry in identifying the external environmental challenges likely to be encountered in this area of business. The entrepreneurs will find the report very significant in understanding the dynamics of changes in the external environment in the industry. This will assist them in planning on strategies to adopt to steer their businesses to success.

1.5.3 The general public

The public gets to benefit by the well performing public transport sector. Since this study would identify the causes of inefficiencies in the public transport sector as pertains to investment, it would expose some of the things that the public need to pressurize so that they can be implemented in the transport sector to make it offer better services to them. As
potential investors, the public would also be informed on the viability of investing in the Kenyan public transport sector.

1.5.4 Researchers/Scholars

The study would also form a potential source of information for reference by scholars/researchers aiming to conduct studies in the field of public transport. The research project will seek to add on the already existing literature on strategic responses to changes in the external environment by organizations. On the other hand, the academic fraternity will find the research important in helping them understand one of the fastest growing sectors of the economy. In effect it will open up research and study opportunities in areas not adequately covered by the research.

1.6. Scope of the study

Oira (2015) quotes Durotolu’s (2001) definition of the scope of a study as an extent of coverage of the subject matter being investigated. This study will only investigate the effect of external business environment on the level of commitment of entrepreneurs in Kenya’s public transport industry. Due to wider scope of investors in Kenya’s Transport industry the study will be limited to a survey study of General Motors Isuzu bus entrepreneurs in Nairobi County. The target population will be general Motors Isuzu bus customers based in Nairobi County for the financial year 2015-2016 whose numbers are estimated to be approximately 150. The bus customers are only for the 33 seater carrying capacity that ply most of the city routes. Public transport in Kenya is a broad field that involves bigger scope and players. This study will be limited to factors affecting investment in public transport for Isuzu busses in Nairobi; hence will not include other modes of public transport like railway and air. The Kenya government is in the process of developing the standard rail once hence this study may be deemed insufficient from a coverage perspective.
1.7. Definition of terms

1.7.1. Entrepreneurs

Individuals who secure profitable positions through the exploitation of knowledge and information gaps that arise between people in the market by being alert to any opportunities that avail themselves thereby acting as arbitrageurs (de Jong and Marsili, 2010).

1.7.2. Matatu

A colloquial term that was coined from the Kikuyu word *mang’otore matatu* for the 30 cents flat fee that was charged for fares when the matatus first started operating (McComick, Orero, Behrens, and Ommeh, 2015).

1.7.3. Paratransit

Paratransit transportation refers to a mode of transport that operates parallel to an organized usually large-scale government-run and government-subsidized transport system (McCormick, et al., 2013).

1.7.4. Political Entrepreneur

An individual whose creative acts have transformative effects on politics, policies and institutions (Hederer, 2007).

1.7.5. Social Capital

The tangible and virtual resources that facilitate the attainment of entrepreneurial goals through social structure (Akhter and Sumi, 2014).

1.7.6. Social Networks

Social networks are combination of the sets of actors (individuals and organizations) and the linkages between those actors (Akhter and Sumi, 2014).
1.7.7. Economic Freedom

The absence of excessive government or state interference with individual autonomy especially in relation to economic decision making (Miller and Kim, 2016).

1.7.8. Property Rights

Individuals’ ability to accumulate private property and wealth as a motivating factor for them to increase their appetite for investment (Miller and Kim, 2016).

1.7.9. Fiscal Freedom

The extent to which government permits individuals and businesses to keep and manage their income and wealth for their own benefit and use (Miller and Kim, 2016).

1.7.10. Business Freedom

An individual’s right to establish and run an enterprise without undue interference from the government (Miller and Kim, 2016).

1.7.11. Labour Freedom

The ability of individuals to find employment opportunities and work as well as the ability of businesses to contract freely for labor and dismiss redundant workers (Miller and Kim, 2016).

1.7.12. Monetary Freedom

The ability of entrepreneurs to access a steady and reliable currency as a medium of exchange, unit of account and store of value (Miller and Kim, 2016)

1.7.13. Trade Freedom

An economy’s openness to flow of goods and services from around the world and the citizen’s ability to interact freely as buyer and seller in the international marketplace (Miller and Kim, 2016)

A free and open investment environment that engenders maximum entrepreneurial opportunities and incentives for expanded economic activity, greater productivity and job creation (Miller and Kim, 2016)

1.7.15. Financial Freedom

An accessible and efficiently functioning financial system that ensures the availability of diversified savings, credit, payment, and investment services to individuals (Miller and Kim, 2016).

1.7.16. Bootstrapping

Highly creative acquisition and use of resources through nonconventional means such as retained earnings, credit cards, home mortgages and customer advances (Markova and Petkovska-Mircevska, 2009).

1.7.17. Angel Investors

Successful people who invest their own money in someone else’s business (Markova and Petkovska-Mircevska, 2009).

1.7.18. Venture Capitalists

Financial intermediaries who take an investor’s capital and invest it directly into portfolio companies (Markova and Petkovska-Mircevska, 2009).

1.7.19. Corporate Investors

Companies which acquire smaller firms that complement their product or service offerings thereby much needed capital for expansion of operations (Markova and Petkovska-Mircevska, 2009).

1.7.20. Entrepreneurial Commitment

The passion required for entrepreneurial success (Welsch, et al., 2003).
1.8. Chapter Summary

This chapter provided a background of the problem followed by the statement of the problem. Thereafter, research objectives were provided, followed by significance of the study in that order. Chapter two will provide literature review organized in terms of the research objectives. In chapter three, research design, methodology, as well as the data type and the data collection instruments will be explained. Chapter four will provide the study findings in terms of descriptive and logic regression results based on the study objectives. Chapter five will provided the summary as well as conclusions and recommendations.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

Entrepreneurs, the world over, face steep odds in order for them to achieve success. Given the extreme challenge facing them, it takes a special kind of person to take it on and emerge victorious. This is particularly so in the third world where the lack of a systematized enabling environment can prove to be a hurdle too far for the vast majority of potential investors. This chapter will explore the literary works done by various scholars on the various factors that influence the commitment of entrepreneurs, with special focus on the public transport sector. It will start by introducing the basic concept of entrepreneurship and then move to more the specific theme of entrepreneurial commitment; then a detailed look at the various factors influencing entrepreneurial commitment. The chapter then winds off with an analysis of the research gaps and chapter summary.

2.2. Entrepreneurial commitment on the Matatu Industry Success

2.2.1. Level of entrepreneurial passion

Welsch, Liao, Pistrui, Oksöy, & Huang (2003) describe entrepreneurial commitment as the passion required for entrepreneurial success. The authors further add that the perception by an individual of key success factors such as governmental support, family and spousal support, in addition to the right circumstances in life stage can create a priceless quantity referred to as entrepreneurial intensity or colloquially as “fire in the belly”. According to Cardon, Wincent, Singh & Drnovsek (2009), entrepreneurial passion manifests itself in various forms. Firstly, it is a consciously accessible, intense positive feeling that drives an individual into entrepreneurship. It also results from the engagement of entrepreneurs in activities with identity, meaning and relevance. The authors refer to Schumpeter’s contention that an entrepreneur requires unusually high levels of will and personal strength during the creative process of a venture in order to remain committed to it.

Chen, Yao & Kotha (2009) posit that passion is a critical component for convincing would be entrepreneurs to invest their money, time and effort in the formation of new business.
Accordingly, it is seen as a strong indicator of how motivated individuals are to build a venture, their likelihood of staying the course during tough times (in other words, commitment), the clarity of vision articulation to current and future employees, just to mention a few (Chen et al., 2009). Additionally, when coupled with other entrepreneurial traits such as tenacity and proactivity, passion exerted positive influence on entrepreneurship by engendering higher levels of motivation and tendency towards business growth (Chen et al., 2009).

According to Yitshaki & Kropp (2016), entrepreneurial passion and identity form a feedback loop where they reinforce each other and vary across categories of entrepreneurs. When they interact optimally they facilitate a heightened awareness of entrepreneurial opportunities as well as increased venture creation (Yitshaki & Kropp, 2016). In fact, passion performs a moderating function in ensuring entrepreneurial activity by influencing goal-seeking inclinations and entrepreneurial effectiveness which, in turn, ensures commitment (Yitshaki & Kropp, 2016).

Entrepreneurial passion endows individuals with unique capabilities of exploiting innovation and new opportunities by extracting customer value in order to gain competitive advantages (Turner & Hendry, 2017). These unique attributes include enduring and defining personality traits that ensure that the entrepreneur is able to develop new combinations of knowledge, talent, technology and insight which combine to embolden them to commit themselves fully into their enterprises (Turner & Hendry, 2017). However, given that passion is a subjective quantity, its utility varies from person to person and leads different individuals to commit themselves to different ventures for different reasons, and it may not even be replicable (Turner & Hendry, 2017).

2.2.2. Sense of responsibility and ethics

In conducting a study on entrepreneurial decision making behaviour, McCarthy, Schoorman, & Cooper, (1993) made a number of significant findings. Firstly, entrepreneurs who start a business develop a deep sense of responsibility for all aspects of strategy and operations which then drives them to increase their level of commitment from the second year onwards. Secondly, whenever entrepreneurs involved partners, they tended to increase their level of
commitment relative to those who remained as sole proprietors. Thirdly, there is a direct correlation between the level of commitment and an entrepreneur’s perception that he is utilizing more of his preferred set of skills. In other words, if the entrepreneur feels that success is a derivative of his skills then he is likely to have a greater sense of self-worth which will lead to greater commitment. Lastly, psychological qualities such as high self-esteem play a significant role in engendering high levels of confidence on one’s ability to be a successful entrepreneur which, in turn, makes such individuals more committed.

Adir, Kasuma, Kanyan, & Lai (2015) affirm that entrepreneurial commitment relates to an entrepreneur’s obligation and diligence towards the business; strong determination in solving business-related problems and improving business performance; and dedication in completing work on schedule. Their study, which was focused on Chinese entrepreneurs discovered that because of their serious attitude towards business allied to their hard working nature, Chinese tended to be extremely committed entrepreneurs.

Barnard, Merwe & Gerber (2016) find a direct correlation between psychological ownership and entrepreneurial success since the former evokes strong proprietary feelings towards businesses on the part of the entrepreneur by engendering greater intimacy, responsibility and connection. Psychological ownership is normally driven by a number of factors including need for place, self-identity and efficacy (Barnard et al., 2016). Additionally, psychological ownership facilitates the emergence of a sense of accountability which infers a feeling of responsibility on the part of the entrepreneur for the entrepreneurial venture and ultimately leads to entrepreneurial commitment (Barnard et al., 2016).

Douglas & Fitzsimmons (2012) posit that intrapreneurship, which is the application of entrepreneurship within a firm by its employees, is a precursor for greater commitment by the employees towards their job but may not towards the organisation since it makes them want to start their own ventures. However, given that intrapreneurship is cultivated under controlled conditions within the safety of a firm, it may not also be in the best interests of the employee to try to be entrepreneurs since operating outside the confines of the firm may lead to failure (Douglas & Fitzsimmons, 2012). Invariably, the perceived benefit and cost outcomes of intrapreneurship and entrepreneurship facilitate the establishment of preferences
by the employees which in turn influences their sense of responsibility and level of commitment (Douglas & Fitzsimmons, 2012).

2.2.3. Availability of critical resources

Environmental munificence which is defined as the scarcity or abundance of critical resources needed by firms operating within the environment, allows entrepreneurs to achieve growth by capitalizing on abundant resources and capabilities thereby facilitating entrepreneurial alertness and abilities, ultimately enhancing their level of commitment (Tang, 2007). Such an environment is characterised by features such as a strong presence of family businesses and role models, a diversified economy, as well as abundant government incentives. Entrepreneurs require a level of alertness to opportunities and perceive the potential value in such opportunities in order to engender the commitment to a new venture (Tang, 2007).

Akehurst, Comeche, & Galindo (2009) refer to entrepreneurial commitment from a group perspective as a derivative of a number of factors including age, occupation, engagement, means of control, work projects, and the nature of relations in the workplace. In other words, an individual’s strong desire for permanence and great will to maintain a high level of effort within the organization along with an acceptance of its values and objectives leads to greater commitment to the organization and its entrepreneurial efforts. Entrepreneurial SMEs are dependent on a combination of attributes within the groups in their employ including feelings, sensations and beliefs held by each member towards the group so as to foster greater commitment (Akehurst, et al., 2009).

De Clercq & Fried (2005) allude to the need for venture capital firms (VSF) to improve their communication with their portfolio of companies and as well as express their commitment to their portfolio of companies in order to be successful. A deep sense of commitment by the VSF towards a particular portfolio of companies will facilitate a better execution of its value-adding roles more intensely and enhance its attainment of overall performance objectives (De Clercq & Fried, 2005). Additionally, greater commitment leads to diminished conflict that may result from resistance from the entrepreneurs. This resistance normally manifests itself
in the form of entrepreneurs’ unwillingness to give up control over the company (De Clercq & Fried, 2005).

De Clercq, Menzies, Diochin & Gasse (2012) apply the concept of goal commitment to the concept of nascent entrepreneurship and draw from the expectancy theory, which suggests that people’s level of effort to the attainment of a goal is dependent upon their motivational force, which in turn is dependent on three dimensions – expectancy, instrumentality and valence. The level of expectancy refers to the perceived likelihood that goal-driven actions will translate to goal attainment; instrumentality indicates the perceived likelihood that attainment of the first goal (that is, the first level outcome) will lead to the attainment of other goals (that is, higher level outcomes) in the future; and valence relates to the attractiveness of its attainment. In other words, the authors argue that the attitudes regarding the level of effort expended by entrepreneurs to put their start-up activities is dependent on the perception that a successful outcome is both feasible and desirable (De Clercq, et al., 2012).

According to Petrakis (2010), an entrepreneur’s established perception of the ideal duration of resources commitment is a critical personal trait since is a reflection of the checking mechanism that the entrepreneur has instituted to optimize his evaluation of entrepreneurial opportunities and is related to the structural prototype prevailing in space and time. In order for this perception to be established, the entrepreneur must develop an alertness to entrepreneurial opportunities either on the grounds of backward or forward integration of received information as long as it keeps pace with his preferred time (Petrakis, 2010). This trait is subjective and susceptible to biased application since it is a unilateral process aimed at harnessing the entrepreneur’s unique powers of interpretation (Petrakis, 2010). The personal process of evaluation of time is dependent on a number of environmental factors including (1) the wealth of the economic environment, whereby differences in the wealth status of the members the economic environment yield different interpretations of the resource commitment duration by entrepreneurs; (2) differences in growth rates of the economic environment; (3) the phase of the business cycle; (4) the combined influence of the prevailing nominal interest rate and the rate inflation facilitate the evaluation of time since they theoretically express the conditions of perfect competition and equilibrium markets; (5) the political environment; (6) the stability of the economic environment; (7) the available public
resources; (8) the level of bureaucracy; (9) the legal framework; and (10) the job market conditions (Petrakis, 2010).

2.2.4. Definition of Success

In order for businesses to succeed they require a number of critical ingredients. Hormozi, Sutton, McMinn & Lucio (2002) refer to two key elements of success as follows - identification of goals and the development of strategies to meet those goals. Accordingly, in order for these elements to be actualized the businesses must have a business plan which is used to organize the goals and objectives into a coherent format especially for new or small businesses. It defines the business and explains in as much detail as possible how it will operate in its current market.

According to Lundberg & Fredman (2012), the conventional way of estimating business success is to utilize business ratio measurements of growth or profit, and capture the entrepreneur’s perspective on the definition of the objectives. However, understanding the entrepreneurs’ view of what constitutes success requires further categorization. The first category refers to the ‘The Empire Builder’ who defines business success as business growth, profitability, and teamwork. Secondly, there is the ‘The Vision Developer’ for whom success is based on confirmation of other actors in the market. Thirdly, ‘The Challenge Achiever’ base their definition of success on achievement and validation. Finally, ‘The Happiness Seeker’ views success as having been attained when there is happiness at work and customers are satisfied with the product or experience (Lundberg & Fredman, 2012).

The measurement of business success is founded on the financial results achieved by the business as well as its strategic position since the financial results indicate the absolute success of the business while the strategic position indicates the present success as well as the projected success (Mäkinen, 1997). Accordingly, by comparing the financial results against the established benchmarks it is possible for the entrepreneur to determine how successful the business is. Likewise, through a good strategic position the entrepreneur is able to establish the level of success by examining the history record of the business which include the profitability information; it will also be possible for the entrepreneur to determine
the resource position of the business; as well as the nature of the business relations with customers (Mäkinen, 1997)

Jones & Thomas (2006) refer to research done by Wiggins & Gibson (2003) on the identity of success factors for business incubators as comprising five critical factors. Firstly, there must be clear metrics for success as part of the funding conditions. Secondly, the entrepreneur must demonstrate effective leadership through attention to customer/incubator needs and use of limited resources to achieve the targeted goals. Thirdly, businesses require support and encouragement during the incubation stage from better resourced institutions. Fourthly, incubatees require a range a value added services including private-sector sponsored services such (legal, accounting, HR) seminars, access to University expertise, as well access to a network of incubatees. Lastly, access to financial and human resources from a variety of sources including private sector sponsors (Jones & Thomas, 2006).

The most significant success factors for businesses are financial resources, marketing strategy, technological resources, information success, governmental support and business plan (Jasra, Khan, Hunjra, Rehman & Azam, 2011). The importance of financial resources is especially critical for small and medium enterprises (SMEs) which are normally resource constrained and facing increasingly difficult funding access situations, are more dependent on single products, lack adequate budgetary control as well as economies of scale (Jasra et al., 2011). Further, the resource constraints are also manifested in diminished access to new technology and equipment which handicap SMEs in their efforts to attain success (Jasra et al., 2011). SMEs lack the ability to exploit marketing opportunities since their poor resource position prevents them from apportioning a a marketing research budget, provide reward and incentive programs, or make themselves accessible to markets. Consequently, SMEs are more dependent on government support to make up for their resource constraints in order to attain success (Jasra et al., 2011).

Robb & Fairlie (2007) allude to the importance of class resources such as human and financial capital, social or ethnic resources, social networks, rotating credit associations, and access to co-ethnic labour for the success of Asian-owned businesses in the United States. Amongst Asian immigrants, networks of co-ethnics are likely to provide valuable resources like customers, labour, and technical information for would-be entrepreneurs (Robb &
Fairlie, 2007). Ethnic minorities tend to be best served by ethnic enterprises owing to their intimate understanding of language, more efficient response to a group’s taste and demands (Robb & Fairlie, 2007). Additionally, the typical congregational dynamics of ethnic minorities eventually pushes out non-ethnics in due course and, consequently, opens up opportunities for new ethnic-based ventures (Robb & Fairlie, 2007). However, such opportunities may be short-lived since the relatively small market soon gets saturated and excess competition becomes a problem (Robb & Fairlie, 2007).

According to a study carried out by Morrison, Collins, Basu, & Krivokapic-Skoko (2014), indigenous businesses tend to be more amenable to adopting new technologies including internet and social media than other small businesses. Further, the institutionalization of sound business practices including financial accounting, business planning and information technology have a great bearing on the success of such businesses (Morrison et al., 2014). Another critical business success factor is business support especially higher level of business training in the form of college or university education. Other factors include business networks, business mentors to assist in the development of older businesses, access to commercial bank loans, and the presence of a spouse especially during the early stage of a business (Morrison et al., 2014).

Ha, Siriwan, Ramabut, Thitikalaya, Thitikanlaya & Kiatnarong (2014) affirm that entrepreneurial success is dependent on four key factors: (1) the overview of the entrepreneur’s business; (2) the entrepreneur’s physical and mental status; (3) the entrepreneur’s investment, profit, and stability; and (4) the entrepreneur’s reputation, image and branding. These factors are, in turn, supported by time management; the role of the organization; and work values such as passion, effort and intention (Ha et al., 2014).

Entrepreneurial firms depend on three essential factors for success: (1) the psychological and personality traits of the entrepreneur; (2) the managerial skills and training; and (3) the external environment (Stepanovic, Prokic & Rankovic, 2010). Firstly, the psychological and personality traits which refer to such factors as the drive for independence, risk tolerance, and a competitive nature are particularly important in difficult business environments (Stepanovic et al., 2010). Secondly, the level of training and managerial skills perform a moderating role
to the first set of factors. Lastly, environmental factors comprise the level of governmental support, access to capital and support from family and friends (Stepanovic et al., 2010).

2.3. Economic and business freedom on the commitment of entrepreneurs

Miller and Kim (2016) posit that economic freedom is the absence of excessive government or state interference with individual autonomy especially in relation to economic decision making. They go on to state that intrusion into economic freedoms of individuals invariably interferes with the creation of an enabling environment for entrepreneurship. Accordingly, Miller and Kim (2016) prescribe the following tools for measuring economic freedom.

2.3.1. Rule of Law

The first tool is rule of law which comprises two specific freedoms – property rights and freedom from corruption (Miller & Kim, 2016). The former refers to individuals’ ability to accumulate private property and wealth as a motivating factor for them to increase their appetite for investment. Corruption is a failure of integrity in the economic system and generally manifests itself as bribery, extortion, nepotism, cronyism, patronage, embezzlement and graft. Thus, any measures instituted by government to impede corruption such as greater transparency can go a long way to encouraging investment and entrepreneurship (Miller & Kim, 2016).

Stolper & Walker (2006) affirm that rule of law fosters the creation of an enabling environment for business development by protecting individual’s basic political and human rights, and providing entrepreneurs and small business owners with adequate confidence to participate in entrepreneurship. Accordingly, rule of law is encapsulated into a number of critical components including the administration of justice, the regulatory framework for business and investment, alternative dispute resolution mechanisms, and the protection of tangible and intellectual property (Stolper & Walker, 2006). All these factors combine to ensure easier conditions for entrepreneurial commitment and success (Stolper & Walker, 2006).

Estrin & Mickiewicz (2010) examine the gender specific effects of rule of law on entrepreneurship and find that cultural practices which lead to habit formation become deeply
embedded into formal institutional structures which also become resistant to change and lead to discrimination against women. In fact, the fear of loss of comparative advantage makes patriarchy sympathisers resistant to change and intolerant to dissent especially in developing economies (Estrin & Mickiewicz, 2010). In such societies, the rule of law contravenes the principles of equality and fairness by protecting the rights of the old establishment and imposing restrictions on the entrepreneurial capabilities and commitment of women (Estrin & Mickiewicz, 2010).

Entrepreneurs are the clearest indicators of functional systems exemplified by economic regulations that are free from undue constrain owing to their unique geographical flexibility since their activities relate directly with economic growth (Braunerhjelm, Desai & Eklund, 2015). The economies where the rule of law was practiced excessively through stringent regulations, entrepreneurial activity was adversely affected in a number of ways including venture formation and commitment due to exorbitant costs (Braunerhjelm et al., 2015).

2.3.2. Government Size

The second tool is government size which comprises fiscal freedom and government spending (Miller & Kim, 2016). Fiscal freedom refers to the extent to which government permits individuals and businesses to keep and manage their income and wealth for their own benefit and use. Governments’ main impediment to this is through taxation and borrowing (Miller & Kim, 2016). Given that all government spending must be financed by higher taxation, this entails an opportunity cost, that is, the value of the private consumption or investment that would have occurred had the resources involved been left in the private sector (Miller & Kim, 2016).

McMullen, et al. (2008) examined the correlation between levels of entrepreneurship and government-related policies on economic freedom and found that fiscal freedom, monetary freedom, and labour freedom are all associated with the decision to engage in entrepreneurial activity. According to the authors, high tax rates act as a disincentive for entrepreneurial activity while government’s failure to facilitate market pricing and curb inflation undermines access to stable and reliable information for effective entrepreneurial decision making.
Bjornskov and Foss (2006) found that the nationalization of economic activities in certain industries or sectors reduces the scope of entrepreneurship. Their study also concluded that indirect government involvement such as through the certification of certain trades may also act as a deterrent for entrepreneurial activity. Large governments which institute high levels of subsidized spending on public goods and services such as generous social security systems tend to also discourage entrepreneurship and individual wealth formation.

Aidin, Estrin & Mickiewicz (2010) posit that there is a direct correlation between the size of the state and the ability to provide resources to invest in robust institutions thus reducing barriers to entrepreneurial activity and eliminating disincentives such as corruption. However, such levels of expenditure may also reflect weak budgetary controls which result in political non-welfare-related motives that infringe on entrepreneurial activity (Aidin et al., 2010). Additionally, larger state expenditure is also accompanied by higher taxation which hampers entrepreneurial commitment by reducing incentives for opportunity-driven entrepreneurship (Aidin et al., 2010).

2.3.3. Regulatory Efficiency

Regulatory efficiency comprises three freedoms – business freedom, labour freedom and monetary freedom (Miller & Kim, 2016). Business freedom refers to an individual’s right to establish and run an enterprise without undue interference from the government. The most common barriers to this are burdensome and redundant regulations. Labour freedom refers to the ability of individuals to find employment opportunities and work as well as the ability of businesses to contract freely for labour and dismiss redundant workers. Government labour regulations such as wage controls, and restrictions on hiring and firing act as deterrents to labour freedom. Monetary freedom refers to the ability of entrepreneurs to access a steady and reliable currency as a medium of exchange, unit of account and store of value. Monetary policy aimed at fighting inflation, maintaining price stability, and preserving a nation’s wealth are all critical to the attainment of this goal (Miller & Kim, 2016).

According to Parker & Kirkpatrick (2012), regulatory efficiency manifests itself in a number of ways including economic social and environmental benefits by filtering out market inefficiencies and economic distortions emanating from misaligned costs. Improvements in
regulatory performance are dependent on frequent reviews of regulatory policies and are usually targeted at issues such as principles of open government including transparency and participation in the regulatory process, establishment of institutions that provide oversight for regulatory processes, amongst others (Parker & Kirkpatrick, 2012). Thus, by reducing costs of process inefficiency, efficient regulatory processes facilitate greater levels of entrepreneurial commitment (Parker & Kirkpatrick, 2012).

Efficient regulatory systems ensure better entrepreneurial decision making including starting and running of business through the security of a safe and well-functioning market (Nystrom, 2010). Such systems facilitate better use of entrepreneurial resources through savings earned from not spending on unnecessary expenses such as those involved in compliance with more stringent regulations (Nystrom, 2010). Ultimately, by reducing the existence of natural monopolies, negative externalities, and information asymmetries, efficient regulation engenders more positive entrepreneurial activity and boost commitment (Nystrom, 2010).

Haidar (2012) posits that well developed regulations provide clarity on property rights and reduce the costs of resolving conflicts, and ensure greater predictability of economic interactions. Regulatory reforms in many countries are guided by benchmarks in developed countries such as the USA where political and economic institutions are geared towards fostering development and ensuring greater entrepreneurial success (Haidar, 2012). Ideally, greater democracy and less government intrusion are essential ingredients for regulatory efficiency, while limited barriers to foreign trade and investment invariably also led to manifestly low barriers to domestic trade and investment which enhanced the competitive space for entrepreneurs and encouraged them to stay committed to their ventures (Haidar, 2012).

2.3.4. Market Openness

The last tool is market openness which is made up of trade freedom, investment freedom and financial freedom (Miller & Kim, 2016). Trade freedom refers to an economy’s openness to flow of goods and services from around the world and the citizen’s ability to interact freely as buyer and seller in the international marketplace. Investment freedom refers to a free and open investment environment that engenders maximum entrepreneurial opportunities and
incentives for expanded economic activity, greater productivity and job creation. Financial freedom refers to an accessible and efficiently functioning financial system that ensures the availability of diversified savings, credit, payment, and investment services to individuals (Miller & Kim, 2016).

Quazi (2014) mentions that foreign direct investment (FDI) which is critical to the development prospects of any country, is dependent upon a number of factors including economic openness, return on capital and political stability. The economic freedom which manifests itself in the nature of the investment climate prevalent in a given country is a reflection of extent to which an economy is pursuing free market principles based on a number of critical indicators such as trade freedom, fiscal burden of government, government intervention in the economy, monetary policy, capital flows and foreign investment, banking and finance, wages and prices, property rights, regulation, and black market activity (Quazi, 2014). These indicators are encapsulated in the form of an index which is constructed on scale of 1 to 5, where a score of 5 signifies the lowest rating of the policies in terms of the economic freedom they provide while 1 signifies the highest rating (Quazi, 2014).

Erkan (2013) postulates that the economic performance of a country is dependent upon optimal exploitation of the factors of production which would not effectively realised without the intervening properties of innovation and entrepreneurship. These properties include the positive influence on trade performance and competitiveness as well as the conferment of comparative advantages on countries, the promotion of the necessary investments for new products and processes (Erkan, 2013). In order for the innovative development of economic systems to be realised the necessary institutional environment must in place. This environment is dependent on three categories of factors: (1) economic liberties which include free trade, investment, fiscal and financial freedom, free labour, and freedom from corruption; (2) developed system of provision of contract rights, property, investors, protection of interests; and (3) the absence of administrative barriers in a firm’s registration and liquidation, the process of obtaining licenses and permissions, payment of taxes, amongst others (Erkan, 2013).

According to the World Bank Transparency report for 2016 (Miller and Kim, 2016), Kenya scores 57.5 on the economic freedom rating which is slightly above the regional average of
55.5 and below the global average of 60.7. It has a global ranking of 115, and a regional ranking of 19. The report also notes that the country’s most significant successes on economic freedom are trade freedom and regulatory efficiency. Amongst the key regulatory measures that have been adopted include the Companies’ Act, Insolvency Act, Business Registration Act, and Special Economic Zones Act which were signed into law in 2015. The main challenges to the country’s attainment of sustained long-term development include the weak rule of law, weak judiciary and corruption.

The relationship between entrepreneurial commitment and economic and business freedom

Miller & Kim (2016) make a very detailed portrayal of the various aspects of economic and business freedom including rule of law, government size, regulatory efficiency, and market openness, and how they relate to the establishment of entrepreneurial performance. The business and economic freedoms that have been covered engender confidence from all players in the various areas of operation including entrepreneurs and, as such, ensures entrepreneurial commitment. This is definite proof of a relationship between entrepreneurship and economic and business freedoms. The findings of this study are congruent with those of Welsh et al. (2003) and Tang (2007).

McMullen, et al. (2008) successful develop a strong link between levels of entrepreneurship and governmental policies regarding economic freedom and in the process establish a connection with entrepreneurial commitment in line with the findings of Welsh et al. (2003) and Tang (2007) when they found that governmental support and environmental munificence respectively are critical to entrepreneurial commitment. Additionally, the findings of Quazi (2014) and Erkan (2013) also mirror those of McMullen, et al. (2008) given they also relate entrepreneurship with economic factors including economic freedoms.

Bjornskov & Foss (2006) determined a negative correlation between governmental interference in economic freedoms and entrepreneurial activity which is consistent with Welsh et al. (2003), Tang (2007), Akehurst et al. (2009) and Petrakis (2010) who all managed to link the external environmental influences and entrepreneurial commitment.
2.4. **Financial freedom on the commitment of entrepreneurs**

2.4.1. **Agency Problems/Information Asymmetry**

The endeavour for financial freedom pushes entrepreneurs to pursue both internal sources and external sources of funding. Internal sources include funds from the founder, family and friends; bootstrapping – this is highly creative acquisition and use of resources through nonconventional means such as retained earnings, credit cards, home mortgages and customer advances; and the formation of strategic business alliances. External sources include angel investors – successful people who invest their own money in someone else’s business; venture capitalists – financial intermediaries who take an investor’s capital and invest it directly into portfolio companies; corporate investors – companies which acquire smaller firms that complement their product or service offerings thereby much needed capital for expansion of operations; the equity markets – this is the preserve of very few entrepreneurial companies that are listed on the stock market through an Initial Public Offering (IPO); and Banks – this option is only open to small firms that have already established themselves and have a favourable credit rating (Markova & Petkovska-Mircevska, 2009). These options are represented in the following diagram.

![Diagram showing funding sources for entrepreneurial ventures](source: Markova & Petkovska-Mircevska, 2009, p. 603)
The above figure enables a number of observations to be surmised. Funds procured from founders, friends and family have the tendency of experiencing reduced cost of external risk capital the longer the beneficiaries continue to survive on such funds. Angels generally fund ventures that have early stage high-risk money required to run a small firm of 10 to 20 employees with the prospect of growing to a middle market company of 50 to 100 employees. Venture capitalists only invest in private companies and actively participate in monitoring and helping companies through internal growth in order to maximize their financial returns upon exiting. They typically fund second round and development capital for later stage firms that incur high overheads, high evaluation and monitoring costs, long payback period and high risks when investing in early-stage start-ups. Funds from equity markets and commercial banks are generally available to established firms with high credit worthiness.

Denis (2004) maintains that financial freedom considerations for entrepreneurs are not much different than those of other firms since they revolve around sorting out agency problems and information asymmetries. The only difference is found in the fact the magnitude of these problems is more pronounced in entrepreneurial firms/individuals thereby requiring the use of more out-of-box/bespoke financial solutions. These would typically include venture capitalists, financial intermediation, certification, angel investors, and corporate venture investment.

Agency problems exist because an individual (the agent) undertakes to perform a task(s) on behalf of another (the principal) and ends up pursuing personal interests which hamper the attainment of the interests of the principal (Besley & Ghatak, 2014). Entrepreneurs may lessen the impact of agency problems by performing rigorous selection of individuals on the basis of their motivation to perform tasks appropriately through screening (Besley & Ghatak, 2014). Persistent agency problems are bound to adversely affect the entrepreneur’s appetite to remain committed to the venture in the long-run due to the high costs associated (Besley & Ghatak, 2014).

Dehlen, Zellweger, Kammerlander & Halter (2012) argue that entrepreneurs grapple with the problem of identifying an appropriate exit strategy where they need to hand over the reins of running the business owing to age and usually prefer family internal successors because of
superior knowledge about the business, possession of the ideal abilities, and likelihood of
loyalty to vision and mission. In contrast, external candidates tend to amplify their abilities
and experience and sometimes the available mechanisms for appropriate selection are
deficient to providing adequate information which leads to poor decision making on the
successor (Dehlen et al., 2012). Thus, it is imperative for mechanisms to be developed to sort
out information asymmetries in order to provide richer data on successors for the
enhancement of the enterprise’s life beyond the incumbent and ensure greater commitment
from the successors (Dehlen et al., 2012).

2.4.2. Risk Taking

Gosh (2016) examines the impact of financial freedom on risk taking by banks and other
related issues such as the risk-taking channel of monetary policy as well as the support
institutional and national characteristics that matter to bank risk taking. The less constrained
financial entities feel on how to manage their businesses, the more likely they match their
risk taking behaviour to their risk appetite, thus increasing the level of risk taking. On the
other hand, excessive government interference restricts the free interaction of market forces
and curb bank innovation which leads the banks to overcompensating by assuming higher
risks so as to boost their profits. Further, state-dominated banking systems tend to dissuade
banks from raising lending rates to market clearing levels. Finally, restrictions faced by
banks limit their flexibility in decision making which might compel banks to over-extend
credit to excessively risky sectors so as to maintain their profitability (Gosh, 2016).

Koudstaal, Sloof & Praag (2014) explore the incidence of risk and uncertainty in
entrepreneurship by examining two types of risks: strategic (covers measures of trust and
competition) and unstrategic risk (covers risk aversion and ambiguity aversion). Their
findings indicate that entrepreneurs have a tendency to assume strategic risk but avoid
unstrategic risk; however, the tolerance of unstrategic risk is higher in entrepreneurs than in
non-entrepreneurs (Koudstaal et al., 2014). Although, entrepreneurs are driven by an
ambition to succeed that supersedes that of non-entrepreneurs, they require some level of
confidence in the system to reduce the level of uncertainty so as to enhance their confidence
in assuming higher unstrategic risk lest they also lose their nerve and commitment
(Koudstaal et al., 2014).
Entrepreneurs draw from an inflated level of representativeness and confidence as well as personal experience when considering opportunities with uncertain outcomes to help them make decisions that non-entrepreneurs would consider risky (Zichella, 2015). Entrepreneurs invariably perceive opportunities in uncertain situations while others only see risks and indicates that they are more likely to persist with their ventures in the face of increasingly uncertain situations (Zichella, 2015). Additionally, entrepreneurs’ risk propensity increases after experiencing monetary gain (Zichella, 2015).

2.4.3. Degree of Government Control

Sufian & Habibullah (2014) posit that excessive government coercion corrodes financial freedom by threatening the functions that the banking system plays since it introduces inefficiencies and outright corruption. The authors go on to refer to Beach & Kane’s (2008) suggestion regarding the role of the marketplace as the primary source of protection in a free banking environment by conferring independent auditing and information provision services to these institutions. This would be a viable alternative to the intrusive government regulation which tends to interfere with market provision of financial services to customers (Sufian & Habibullah, 2014).

According to Hall (2014), there is a definite congruence between financial freedom indicators such as the size of the government (the level of taxation and scale of expenditure), the degree of government control of the money supply and inflation, the protection of individuals’ property rights and enforcement of contracts, the freedom to trade internationally, and the level of regulation on credit, labour and business; and improved economic growth, the generation of higher levels of income, and improved entrepreneurial activity. The combined effect of the aforementioned freedoms and fiscal policy affect the level of entrepreneurial activity especially in the facilitation of new business venture formation (Hall, 2014). Hall (2014) also postulates that the prevalent financial freedoms provide the basis for both entrepreneurial success and failure, with the latter playing a significant role in boosting entrepreneurship through the freeing up of resources for other ventures to sprout.
Islam (2014) affirms that the use of government private subsidies tends to induce rent seeking behaviour from large firms rather than boosting economic development and adversely affect the generation of entrepreneurial opportunities. More specifically, large firms which enjoy subsidies are able to enjoy advantages over new entrants which act as barriers to entry and increases the cost of entrepreneurial engagements (Islam, 2014). Additionally, government expenditure on subsidies, a form of welfare expenditure, limit their ability to support entrepreneurs through incentives such as improved institutions and economic and financial freedoms (Islam, 2014).

2.4.4. Efficiency of processes

Chortareas, Girardone, & Ventouri (2012) conducted a study on the influence of financial freedom on bank efficiency that was founded on the hypothesis that the less are the constraints faced by financial institutions on how to manage their business the more effective they should be in controlling their costs, thereby resulting in more efficiency processes. This study made a number of critical findings. Firstly, on the average, economies that enjoy higher degrees of financial freedom tend to achieve better economic outcomes than those that do not. Secondly, there is a direct correlation between improvements in banking reforms and banking sector liberalizations and a decrease in banking costs. Thirdly, there is a strong correlation between bank efficiency and government spending, property rights, freedom from corruption, and business freedom since countries that exhibited conducive financial environments that protected private sector property rights and the financial system, high levels of openness tended to have high levels of efficiency. Fourthly, higher capitalization, as reflected by higher equity over total assets ratios, reduced agency problems between managers and shareholders. Fifthly, there was a direct relationship between profitability and bank size on one hand, and efficiency on the other. Finally, the study found that banks that had higher proportions of loans which translated to higher credit risk exposures tended to increase their efforts of improving efficiency (Chortareas et al., 2012).

According to Nwibo & Okorie (2013) many African countries are bastions of process inefficiencies exemplified by constrained access to market opportunities, access to finance, lack of an enabling entrepreneurial environment, market information and managerial skills, and liquidity constraints. Additionally, infrastructural underdevelopment has rendered
entrepreneurial opportunities underexploited and fostered less commitment (Nwibo & Okorie, 2013). Governments in such countries have failed to invest adequately in power generation which have causes energy crises that have undermined entrepreneurs’ efforts to succeed by making it very costly to access power (Nwibo & Okorie, 2013).

2.4.5 The relationship between entrepreneurial commitment and financial freedom

Markova & Petkovska-Mircevska (2009) and Denis (2004) make interesting findings regarding the relationship between financial freedoms and entrepreneurial activity and mirror Miller & Kim (2016) who define the essence of financial freedoms and how they relate to the entrepreneurial opportunities and incentives. These findings are consistent with Tang (2007) and De Clercq & Fried (2005) who also link the availability of incentives to entrepreneurial commitment which is leads to increased entrepreneurial activity.

Gosh (2016) and Sufian & Habibullah (2014) establish a strong relationship between entrepreneurial activity and the level of financial freedoms by affecting the risk taking behaviour of banks which, in turn, affects the access by entrepreneurs to credit. This findings flow naturally with those of Petrakis (2010) who mentions the importance of financial indicators such as interest rate and inflation to entrepreneurial commitment.

2.5. Investment freedom on the commitment of entrepreneurs

2.5.1. Constraints imposed on investment

Díaz-Casero, Díaz-Aunión, Sañchez-Escobedo, Coduras, & Hernández-Mogollòn (2012), describe investment freedoms those enjoyed without constraints on foreign investment that restrict both inflows and outflows of capital. Thus, the more constraints imposed on investment, the lower the level of entrepreneurial activity. Ridderstedt (2014) refers to investment freedom as openness to international trade and investment and describes it’s opposite as including regulatory trade barriers, taxation on international trade, international capital markets controls, the size of the trade sector, and differences between official and black-market exchange rates.

Taxation limits the reward earned by an entrepreneur from opening a new business venture and thus negatively impacts entrepreneurship (Hall & Sobel, 2006). However, given that
entrepreneurs is, itself, an escape haven for tax flighters, it would seem that a level of taxation is inevitable and must just be planned for (Hall & Sobel, 2006). Given that taxation is one of the tools used by governments to constrain investment freedoms, then it figures that it is a critical consideration in the assessment of investment freedoms and their impact on entrepreneurial commitment.

Powell (2002) affirms that the combination of private property rights and voluntary interaction between buyers and sellers enables the realisation of investment activity since the former provides incentives for individuals to economise on resource use while the latter facilitates increased confidence by buyers and sellers to enter into transactions where there an exchange of value. Conversely, any practices or policies that infringe on the voluntary interaction between buyers and sellers have an adverse effect on the economic welfare of citizens (Powell, 2002). Additionally, an institutional framework that enhances the voluntary interaction between buyers and sellers provides the basis for the establishment of a pricing system which provides a common denominator that indicates relative scarcity, and determines the agreed value that people are ready to place on property (Powell, 2002). Ultimately, such a pricing system provides a means through which entrepreneurs can determine the relative levels of demand for various products so as to see where to invest their resources so as to satisfy their need to profits which spurs economic growth (Powell, 2002).

2.5.2. Level of entrepreneurial activity

Kreft & Sobel (2005) posit that underlying economic freedoms such as investment freedoms spur growth primarily through the promotion of underlying entrepreneurial activity, which is then a source of economic growth. In other words, the efforts of various entrepreneurs have a direct correlation with the prevailing economic and political institutions established through public policy.

Institutionalised economic freedoms including investment freedoms are the clearest reflection of the capitalist system which while leading to improved economic performance also have negative side-effects in the form of inequalities in income distribution (Moreno & Guerrero, 2012). Low-income groups lack the ability to properly exploit environments that have high levels of economic freedoms since the wealthy and well-connected individuals
inevitably amass the available resources thereby denying the low-income groups (Moreno & Guerrero, 2012). However, while this situation may prevail in the short-run, the relative benefits of increased economic performance will result in gradual trickling effect which will balance out the short-term inequalities (Moreno & Guerrero, 2012).

According to Tran & Santarelli (2013), economies which have appropriate levels of investment freedom as exemplified by access to credit, effective controls of agency relationships between entrepreneurs and financial institutions, and information symmetry between entrepreneurs and investors encourage the flourishing of entrepreneurial activity. As a wash-back, the proliferation of entrepreneurial firms emboldens financial institutions to issue more credit at lower interest rates thereby ensuring a self-fulfilling cycle of mutual benefit (Tran & Santarelli, 2013). In contrast, economies where investment freedoms are constrained exhibit higher costs of doing business owing to agency problems which force entrepreneurs to invest more of their personal wealth into the venture and heightens the likelihood of failure thereby discouraging entrepreneurs from committing themselves in the long-run (Tran & Santarelli, 2013).

2.5.3. Economic Openness

Zhang & Duysters (2010) refer to investment freedom under the guise of economic openness and affirm that it is a critical determinant of economic growth since it can affect the economy’s output level. Economic openness allows the entry of multinational enterprises into other countries and has positive effects in the country where imperfectly competitive conditions prevail in goods and factor markets including forcing domestic companies to update technologies, and increasing the number of business opportunities for domestic entrepreneurs through forward and backward linkages (Zhang & Duysters, 2010). Additionally, better level of economic openness will lead to development of education and enlargement of education resources thus facilitating the education institutions to train more specialized graduates and provide more excellent human capital that may be better placed to take advantage of entrepreneurial opportunities.

Entrepreneurship is also a derivative of the interaction between a country’s business cycle position relative to the world and the level of economic openness (Scholman, Stel & Thurik,
Accordingly, in the short term, entrepreneurial activity is spurred by a country’s business cycle lagging behind the world business cycle; while in the medium term, entrepreneurship benefits from a country’s business cycle leading that of the world (Scholman, 2015). This is indicative of the different entrepreneurial opportunities that exist in different business cycle positions relative to the world in different periods. The more open an economy is, the more entrepreneurial opportunities that are created and, in turn, this influences the level of entrepreneurial commitment (Scholman et al., 2015).

Economic development is dependent on a number of factors including technological change, economic openness in the guise of exchange of foreign competitors, and entrepreneurship (Raa, Mohnen, Zanden & Leeuwen, 2013). The level of economic openness has a positive influence on the volume of trade which, in turn, boosts the level of entrepreneurship.

Follmi, Legge & Tiemann (2015) posit that in open economies there is increased competition amongst small entrepreneurs which worsens their ability to access finances, particularly those who are poorer. In other words, those entrepreneurs who are financially constrained struggle to adjust their operations to exploit the increased opportunities that emanate from improved economic liberalisation (Follmi et al., 2015). This suggests that entrepreneurs operating in open economies require deeper financial resources in order to optimally exploit entrepreneurial opportunities and remain committed to the venture (Follmi et al., 2015).

2.5.4. Government Policies

Investment freedoms in the form of changes in government policies and the magnitude of economic freedoms have impact on the rate of human and physical capital accumulation, and investment choices and, by extension, the per capita income growth (Chheng, 2005). In addition, the freedom to hold money facilitates the mobilization of resources, provides comparative advantages for countries, indirect productivity gains, increased volume of trade, all of which are a manifestation of increased investment efficiency and accelerated growth (Chheng, 2005).

The interaction between adequate real income growth and appropriate economic environmental conditions (particularly high quality effective regulation which is a derivative of investment freedom) ensures market efficiency and favourable growth rates in many
economic sectors (Cebula & Mixon, 2014). Additionally, the markets for the development of technology products rely on the benefits of economic freedoms so as to make them competitive and free from excessive regulations. These regulations manifest themselves in the form of interventions in markets, and policies that are capable of infringing in the ability of players to efficiently develop and explore innovative approaches to production (Cebula & Mixon, 2014). Another component of investment freedom is fiscal freedom which refers to the freedom of individuals and firms to keep and control their income and wealth so as to ensure that they are able to use it for themselves and benefit from it (Cebula & Mixon, 2014). The most commonly applied restriction on fiscal freedoms is taxation which is meant to increase revenue for the government while increasing fiscal burdens on the individuals and firms. These fiscal burdens restrict individuals’ and firms’ ability to fully express themselves economically by working, investing, and taking risks (Cebula & Mixon, 2014).

An element of investment freedom that affects aggregate expenditure levels in an economy rather than the aggregate revenues is the freedom from excessive government size. This is reflected in the proportion of investment by a government in the market which relates inversely with the level of investment by the private sector thereby interfering with the normal market processes (Cebula & Mixon, 2014). Cebula & Mixon (2014) also explored trade freedom which shows the level of openness of an economy to the importation of goods and services and the ability of citizens to freely interact as buyers and sellers in the global marketplace. They found that there a negative correlation between the extent of government restrictions of trade freedom through taxation on imports, bans, and quotas, and the ability of individuals and firms to grow economically (Cebula & Mixon, 2014).

The establishment of proper institutional frameworks, which is the bedrock of investment freedoms, is essential for the occurrence of healthy investment activity in any country (Gwartney, Holcombe & Lawson, 2006). A proper institutional framework focuses on three main pillars: (1) the inputs of physical and human capital into the production process along with technological advances as the basis of economic success; (2) access to markets in order to engender the generation of high income levels and growth rates; and (3) the importance of creating an institutional environment which is supportive of markets such as through the
protection of property rights, enforcement of contracts, and the voluntary exchange at market-determined prices (Gwartney et al., 2006).

2.5.5 The relationship between entrepreneurial commitment and investment freedom

Díaz-Casero (2012), Ridderstedt (2014) and Hall & Sobel (2006) all establish a clear relationship between investment freedoms and entrepreneurial activity by highlighting the adverse effects of the absence of such freedoms on entrepreneurial activity. This is consistent with Tang (2007) and De Clercq & Fried (2005) who affirm the relationship between established financial freedoms and entrepreneurial commitment given that entrepreneurial activity flows from entrepreneurial commitment.


2.6. Chapter Summary

The chapter has introduced the concept of entrepreneurship, then moved on to entrepreneurship in the public transport industry. It presented the underlying hypotheses. Thereafter a detailed exposition of the works done on entrepreneurial commitment - the dependent variable. Last but not least, an exploration of the works done on independent variables – financial freedom, business freedom and investment freedom. The next chapter covers the research methodology by focussing on the research design, sampling techniques, and data collection and analysis.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter presents the research design, target population, the sample design and sampling methods, the sources of data, the data collection instruments, as well as the data analysis and presentation techniques that were applied in this study.

3.2. Research Design

A research design is a master plan that specifies the methods and procedures for collecting and analyzing the needed information (Zikmund, Babin, Carr and Griffin, 2010). In other words, a research design provides a framework or plan of action for the research. According to Sekaran (2003) the research design is focused on making decisions regarding how to collect data, analyze and interpret the data, and to provide an answer to the research problem. There are four basic types of research design – surveys, experiments, secondary data, and observation (Zikmund, et al., 2010). The decision on the choice of research design is usually informed by the objectives of the study, the available data sources, the urgency of the decision, and the cost of obtaining the data.

This research adopted a descriptive research design. Descriptive research is used to obtain information concerning the current status of the phenomena with respect to variables or conditions in a situation (Mutai, 2000). The object of descriptive research is to `portray an accurate profile of persons, events or situations’ (Robson, 2002, p.59). The researcher sought to accurately establish the effect of external business environment on the performance of investors in Kenya’s public transport industry. Furthermore, descriptive research enabled respondents to give more information on the issue of interest to the researcher at a lower cost (Cooper and Schindler, 2014).

The researcher carried out a survey among General Motors’ Isuzu bus entrepreneurs by use of structured questionnaires. The method was appropriate for this study because it enabled the researcher to collect first hand data that shall be quantified and reported as a representation of the real situation.
3.3. Population and Sampling Design

3.3.1. Population

A population refers to the total collection of elements about which we wish to make some references. It is also defined as a grouping of people, services, elements, events or things that will need to be investigated (Ngechu, 2004). The main objective is therefore to ensure homogeneity of the population that are more representative thereby ensuring that all units have an equal chance to be included in the final sample (Mugenda & Mugenda, 2003). Cooper and Schindler (2014), define a population as the total collection of elements about which the researcher wishes to make some inferences. The target population of the study was General Motors’ Isuzu bus entrepreneurs specifically the 33 seater bus owners only.

3.3.2. Sampling Design and Sample Size

3.3.2.1 Sampling Frame

Sampling frame is an objective list of the population from which the researcher can make a selection (Cooper and Schindler, 2014). The degree of generalization of the study depends on the accuracy of the sampling frame from which the sample is selected. The sample for this study was drawn from General Motors’ Isuzu bus entrepreneurs who operate within Nairobi County. This targeted only the 33 seater minibus customers with an estimated population of about 137 respondents.

3.3.2.2 Sampling Technique

The researcher used probability sampling, specifically stratified random sampling. Probability sampling method is any method of sampling that utilizes some form of random selection, a controlled procedure that assures that each population element has an equal chance of being chosen (Cooper and Schindler, 2014).

Stratified random sampling also sometimes called proportional or quota random sampling, involves dividing the population into homogeneous subgroups and then taking a simple random sample in each subgroup (Trochim, 2006). According to Saunders, Lewis and Thornhill (2009), this method assures the researcher representation of not only the overall population, but also key subgroups of the population. Secondly, stratified random sampling
will generally have more statistical precision than simple random sampling, the variability within-groups is lower than the variability for the population as a whole. For purposes of this study, the researcher divided the population into four significant strata based on the regions where the entrepreneurs operate the buses, that is, Westlands, Eastlands, South and Northern Parts of Nairobi to cater for the different business environments.

3.3.2.3 Sample size

Sampling is the process of selecting units from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen (Mugenda, 2003).

The researcher adopted the sample size formula: 
\[ n = \frac{N}{1 + Ne^2} \]

Where
- \( n \) = Sample Size
- \( N \) = Population
- \( e \) = Precision Level - 7%

(Cochran, 1963; and Israel, 1992)

Using the formula
\[ n = \frac{137}{1 + 137(0.07^2)} \]
\[ n = 137/(1.6713) = 82 \]

Table 3.1 Sample Size Distribution

<table>
<thead>
<tr>
<th>Region</th>
<th>Population</th>
<th>Sample %</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastlands</td>
<td>35</td>
<td>60</td>
<td>21</td>
</tr>
<tr>
<td>Westlands</td>
<td>34</td>
<td>61.8</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>-------</td>
<td>-----</td>
<td>----</td>
</tr>
<tr>
<td>Southern Nairobi</td>
<td>34</td>
<td>58.8</td>
<td>20</td>
</tr>
<tr>
<td>Northern Nairobi</td>
<td>34</td>
<td>58.8</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>137</strong></td>
<td><strong>59.9</strong></td>
<td><strong>82</strong></td>
</tr>
</tbody>
</table>

3.4. **Data Collection Methods**

Primary and secondary data was used for this study. Primary data was collected using self-administered questionnaires and personal interviews with Matatu bus owners through their SACCO meetings done periodically. The questionnaires were structured based on the specific research objectives and the questions adopted were closed for ease of coding. The researcher obtained secondary data from financial performance information for the entrepreneurs as well as General Motors records relating to the purchases and payments for the buses. Further secondary data was drawn from the Kenya Motor Industry annual reports.

3.5. **Research Procedures**

The questionnaire was designed by the researcher based on the research questions and was pretested to ascertain the suitability of the tool before actual administering. The questionnaires were derived from Heritage International freedom score index (2016) available from their web site and questions structured to fit the Matatu industry. The questionnaires were then distributed to respondents guided by the respondents’ lists prepared at the sampling stage. The distribution of the questionnaires was done by the researcher and covered within six weeks. The researcher briefly went through the questions with the respondents during the distribution period in order to respond to any ambiguity that might arise. A time frame of three days was given to respondents to fill the questionnaires after which telephone follow ups were made and collection of the filled questionnaires.

3.5.1 **Reliability**

Reliability refers to the consistency of the measure of concept (Bryman, 2012). It is generally understood as the extent to which a measure is stable or consistent and produces similar result when administered repeatedly (Sushil & Verma, 2010). A measuring instrument is reliable if it provides consistent results (Kothari 2009). Data reliability of this study was
measured using Cronbach’s alpha method. Reliability co-efficient of 0.7 as minimum level was considered adequate for this study which is in accordance with Sekaran and Bougie (2009).

Reliability refers to the repeatability, stability or internal consistency of a questionnaire (Jack & Clarke, 1998). Cronbach’s alpha will be used to test the reliability of the measures in the questionnaire (Cronbach, 1951). Using inter-item correlation matrix as a guide, items that will not strongly contribute to alpha, those that will be too similar, and those whose content will not be critical, will be eliminated. According to Cooper & Schindler (2014), Cronbach’s alpha has the most utility for multi-item scales at the interval level of measurement, requires only a single administration and provides a unique, quantitative estimate of the internal consistency of a scale.

To increase the reliability of the questionnaire, this study used Cronbach alpha for separate domains of the questionnaire rather than the entire questionnaire. Wong and Baker (1988) state that the size of a sample to be used for reliability testing varies depending on time, costs and practicality, but the same would tend to be 5-10 per cent of the main survey. According to Cooper and Schindler (2014) the respondents in a reliability pilot test do not have to be statistically selected when testing the validity and reliability of the instruments. In this study, the data collection instruments which were questionnaires and interview guides were tested on 10 respondents drawn from the target population to ensure that they are relevant and effective. The respondents in the pilot study were not included in the actual sample for the study.

Cronbach’s alpha is a general form of the Kunder-Richardson (K-R) 20 formulas based on split-half reliabilities of data from all possible halves of the instrument. It reduces time required to compute a reliability coefficient in other methods. The Kunder-Richardson (K-R) 20 is based on the following formula (Kothari 2009).

\[ \text{KR}_{20} = \frac{(K)(S^2 - \sum s^2)}{(S^2)(K-1)} \]

\( \text{KR}_{20} \) = Reliability coefficient of internal consistency

\( K \) = Number of items used to measure concept
\[ S^2 = \text{Variance of all scores} \]
\[ s^2 = \text{Variance of individual items} \]

### 3.5.2 Validity

According to Bryman and Bell (2011), validity refers to the issue of whether or not a set of indicators that is devised to gauge a concept really measures the concept. Oso and Onen (2008) also contend that it is the extent to which an instrument measures what it is intended to measure. To ensure content validity, the questionnaire was developed through utilization of expert judgement from my supervisor as well as following format used by international assessors for Heritage Foundation available on their website on freedom of entries for various variables. Construct validity was also achieved by ensuring that the questions are restricted to conceptualization of variables. Pilot study was also used to help assess whether each questionnaire item was useful in answering the research objectives.

### 3.6 Data Analysis Methods

Burns and Grove (2003) define data analysis as a mechanism for reducing and organizing data to produce findings that require interpretation by the researcher. Upon collecting data from the field the raw data collected was collated to simplify analysis. Coding and checking for completeness was done to ensure that the questionnaires were duly filled. Tabulation and summaries were then prepared before the analysis was done. Cross tabulations and frequencies were used for easier analysis. Descriptive statistics, measures of central tendency and percentages were used to analyze the data. The statistical package for social sciences (SPSS) was used to draw correlations between the variables and similarities from the data. The data was then presented using graphs, pie charts and tables.

### 3.7 Chapter Summary

In the chapter, the research methodology and design adopted in the research process are provided. The chapter highlights the design the researcher used as well as the target population and the sampling design. In addition, the researcher discussed the data collection instruments that were utilized. The chapter further presents the research procedure, data analysis and presentation techniques that were adopted. Chapter four illustrates the results and findings and Chapter five the discussion, conclusions and recommendations.
CHAPTER FOUR

RESULTS AND FINDINGS

4.1. Introduction

The general objective of this study was to determine the influence of the business environment on the commitment of entrepreneurs in Kenya’s public transport industry. This chapter covers the presentation of data analysis, results and findings. The organization of the results was based on the specific objectives of the study. As indicated in the previous chapter, this study utilizes descriptive analysis that includes measures of central tendency such as mean frequency distributions. Data analysis and presentation was conducted with the help of statistical software called the Statistical Package for Social Sciences (SPSS). The data for the study was collected through structured questionnaires which were administered face to face. Based on the targeted sample size of 82, the average response rate was 59.9%. The study will analyse the data in the form of frequency distributions at every section of the chapter so as to add emphasis to the presentation and findings.

4.2. Response Rate

The study targeted a sample of 137 respondents but only 82 respondents returned their questionnaires, thus representing a response rate of 59.9%. Of these respondents 71 were male and 10 were female, representing a gender distribution of 87:13 in favour of males. This is illustrated in Table 4.1 below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned Questionnaires</td>
<td>82</td>
<td>59.9%</td>
</tr>
<tr>
<td>Unreturned Questionnaires</td>
<td>55</td>
<td>40.1%</td>
</tr>
<tr>
<td>Total</td>
<td>137</td>
<td>100%</td>
</tr>
</tbody>
</table>
4.2.1 Demographic composition of the respondents

The demographic data was sorted out in terms of gender, education level (form 4, college, Bachelor’s, Master’s), and experience in transport business, and nature of ownership.

4.2.1.1 Results from demographic assessment

4.2.1.2 Gender composition

Gender findings indicate that 86.75% of the respondents were male while 12.3% were female. This is illustrative of the fact that there are many more men involved in the Matatu industry than women.

Figure 4.1: Gender Distribution of Respondents

4.2.1.3 Education Level of the Respondents

The findings were indicative of the fact that from an education standpoint, 37.5% of the respondents attained only Four 4 level education; 20% attained college/university diploma; 30% attained Bachelor degree level; 7.5% attained Master’s level; and 5% had undefined credentials. These findings imply that there is no strong correlation between the level of education and participation in the industry. This is shown in the following figure 4.2.
4.2.1.4 The Level of Experience of the Respondents

The demographic assessment of the experience in transport business indicated that 38.3% had less than 3 years’ experience; 28.4% had between 4-5 years; 8.6% had 6-7 years; and 24.7% had more than 7 years. This implies that the respondents had adequate experience to respond appropriately to the questions. This is captured by the following figure 4.3.
4.2.1.5 The Nature of Ownership of the Respondents

Finally, the nature of ownership of the vehicles composition indicates that 62.9% were individual owned; 17.3% were joint/group owned; and 19.8% were company owned. This suggests that the vast majority of the respondents had the unfettered authority to give accurate responses to the questions. This is captured by the figure 4.4 below.

![Figure 4.4: Nature of Ownership of the Respondents](image)

4.2.1.6 Reliability test results

A pilot study was carried out to determine reliability of the questionnaires which involved the sample respondents. The reliability analysis was subsequently done using Cronbach’s Alpha which measured the internal consistency. The findings are shown in Table 4.2.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Cronbach’s Alpha</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Commitment</td>
<td>0.888</td>
<td>Accepted</td>
</tr>
<tr>
<td>Investment Freedom</td>
<td>0.756</td>
<td>Accepted</td>
</tr>
<tr>
<td>Business Freedom</td>
<td>0.922</td>
<td>Accepted</td>
</tr>
<tr>
<td>Finance freedom</td>
<td>0.755</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

The table shows business freedom had the highest reliability (@=0.922) and this also illustrates that all the four variables were reliable as their reliability values exceeded the ideal threshold of 0.7.
4.3 The influence of the level of entrepreneurial commitment on the success of entrepreneurs in the Matatu industry

A number of observations can be surmised from figure 4.5 above. Firstly, active engagement in goal attainment (64%); the costliness of leaving the industry (59%); the many people leaving the industry (55%); the few options available for leaving the industry (53%); and satisfaction with the matatu performance (51%) all received positive endorsements as indicators of entrepreneurial commitment. Secondly, lack of adequate support from matatu Saccos (48%); lack of teaching to believe in loyalty (38%); and lack of options elsewhere (32%) all indicate negative drivers for entrepreneurial commitment.

Figure 4.5: Influence of Entrepreneurial Commitment on Business Success
4.4. The impact of financial freedom on the level of entrepreneurial commitment in the Matatu industry

From figure 4.6 above it is clear that strong collaboration with manufacturers (70%) is the only factor that gets a strong positive endorsement as an indicator of financial freedom. Secondly, improved service quality gets moderately positive endorsement (54%) as an indicator for financial freedom in the Matatu industry. All the other factors score lower than 50% thus indicating that a weak environment of financial freedom.

Figure 4.6: Effect of financial freedom on entrepreneurial commitment

From figure 4.6 above it is clear that strong collaboration with manufacturers (70%) is the only factor that gets a strong positive endorsement as an indicator of financial freedom. Secondly, improved service quality gets moderately positive endorsement (54%) as an indicator for financial freedom in the Matatu industry. All the other factors score lower than 50% thus indicating that a weak environment of financial freedom.
4.5 The effect of investment freedom on the level of entrepreneurial commitment in the Matatu industry

The above figure 4.7 indicates that investment laws and practices not being transparent (56%); restrictions on vehicle ownership and routes (57%); lack of transparency in the Matatu industry (53%) and sectoral investment restrictions (52%) all suggest weak investment freedoms in the Matatu industry. Further, moderately poor extent of national treatment of investment (48%); moderately poor access to low cost of fuel levies (47%); moderately low import duties on importation of units (43%) also point to a similarly weak investment freedom situation.

Figure 4.7: Effect of investment freedom on entrepreneurial commitment

The above figure 4.7 indicates that investment laws and practices not being transparent (56%); restrictions on vehicle ownership and routes (57%); lack of transparency in the Matatu industry (53%) and sectoral investment restrictions (52%) all suggest weak investment freedoms in the Matatu industry. Further, moderately poor extent of national treatment of investment (48%); moderately poor access to low cost of fuel levies (47%); moderately low import duties on importation of units (43%) also point to a similarly weak investment freedom situation.
4.6 The impact of the Business Freedom on entrepreneurial commitment in the Matatu industry

The following observations can be made about figure 4.8 above. Firstly, recovery rate of closing business (64%); cost as a percentage of investment (61%) and the number of procedures (56%) all indicate weak business freedoms in the matatu industry. Secondly, the link between the cost of doing business and the income per capita (45%); the process of obtaining a license (44%); and time in years/months (42%) all indicate moderately weak business freedoms in the matatu industry.

Figure 4.8: Impact of business freedom on entrepreneurial commitment

The following observations can be made about figure 4.8 above. Firstly, recovery rate of closing business (64%); cost as a percentage of investment (61%) and the number of procedures (56%) all indicate weak business freedoms in the matatu industry. Secondly, the link between the cost of doing business and the income per capita (45%); the process of obtaining a license (44%); and time in years/months (42%) all indicate moderately weak business freedoms in the matatu industry.
4.7. Descriptive Statistics and Regression

4.7.1. Descriptive Statistics

Table 4.3: Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Sample (N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
<td>3.6426</td>
<td>0.31602</td>
<td>82</td>
</tr>
<tr>
<td>Business Freedom</td>
<td>3.5751</td>
<td>0.46467</td>
<td>82</td>
</tr>
<tr>
<td>Investment Freedom</td>
<td>3.2625</td>
<td>0.33087</td>
<td>82</td>
</tr>
<tr>
<td>Financial Freedom</td>
<td>3.4230</td>
<td>0.68518</td>
<td>82</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.4758</strong></td>
<td><strong>0.44919</strong></td>
<td><strong>82</strong></td>
</tr>
</tbody>
</table>

Table 4.3 shows the various standard deviations and means for the entrepreneurial commitment, the business freedom, investment freedom and financial freedom. Given a Likert scale of 1 – 5 where; 1 – Strongly Disagree; 2 – Disagree; 3 – Uncertain; 4 – Agree; and 5 – Strongly Agree, the average mean of 3.4758 rounds off to 4 suggesting that the respondents were in generally in agreement with the importance of the different variables under study.

Accordingly, the entrepreneurial commitment had the highest mean score of 3.6426 which suggests that the majority of the respondents were convinced that entrepreneurial commitment was the most critical factor, when compared to the rest, in the matatu industry. Business freedom scored a mean of 3.5751 also indicating that the majority of the respondents were in agreement about its importance in the industry. However, the scores for both financial freedom (3.4230) and investment freedom (3.2625) both indicate a level of uncertainty regarding their importance in the matatu industry (since the scores are both rounded down to 3).

4.7.2. Regression Analysis of the Variables

There were a number of statistical tools of analysis that were used in the study. This section will cover the results from the Regression analysis done by the Statistical Package for the Social Sciences (SPSS) software.
Table 4.4: Pearson Correlation Coefficient

<table>
<thead>
<tr>
<th>Correlations</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 BizFreedom Pearson Correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 invfreedom Pearson Correlation</td>
<td>.144</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 finfreedom Pearson Correlation</td>
<td>.102</td>
<td>.407**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 commitment Pearson Correlation</td>
<td>.014</td>
<td>-.184</td>
<td>-.112</td>
<td></td>
</tr>
</tbody>
</table>

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

In order for one to properly understand the covariance between variables, one has to convert the covariance into a standardized set of units, thus the Pearson correlational coefficient is used to standardize the covariance between variables. The table 4.13 above indicates that the values for the Pearson correlation coefficient are 0.144, 0.102, and 0.014, all of which indicate a weak linear correlation between all the variables and the level of entrepreneurial commitment.

Table 4.5: Coefficient of determination

<table>
<thead>
<tr>
<th>Model Summary</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 1</td>
<td>.198*</td>
<td>.039</td>
<td>-.002</td>
<td>.31633</td>
</tr>
</tbody>
</table>

* a. Predictors: (Constant), finfreedom, BizFreedom, invfreedom

The coefficient of determination expresses the proportion of variability in the dependent variable that is explained by the regression equation. The table 4.14 above, which represents the values for the coefficient of determination, shows that the proportion of variation in entrepreneurial commitment which is explained by the regression in the political business environment is 0.039. Accordingly, about 39% of the variability in entrepreneurial commitment is explained by the regression equation. This indicates a poor fit between the data and the regression equation.
Table 4.6: ANOVA test

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>.286</td>
<td>3</td>
<td>.095</td>
<td>.953</td>
<td>.420</td>
</tr>
<tr>
<td>Residual</td>
<td>7.005</td>
<td>70</td>
<td>.100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7.291</td>
<td>73</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: commitment  
b. Predictors: (Constant), finfreedom, BizFreedom, invfreedom

The ANOVA test is a way of comparing the ratio between the systematic variance to unsystematic variance in a study (Field, 2009). It is denoted by the F-ratio which is a way to assess how well a regression model can predict an outcome compared to the error within the model. From the table above, $F_{(3, 70)}$ at 5% level of significance is equal to 0.420. The calculated value of F is less than the table value (0.953). Hence, we accept the null hypothesis and conclude that there is no significant relationship between the political business environment and the level of entrepreneurial commitment in Kenya’s public transport industry.

4.8. Chapter Summary

This chapter has presented research findings on entrepreneurial commitment and how it is influenced by a number of explanatory variables such as financial freedom, investment freedom and business freedom in the Matatu industry based on the views of 82 respondents who represent different regions in Nairobi. Regression analysis was used to determine the impact of the various explanatory variables on entrepreneurial commitment. These findings generally match earlier studies on the subject. In the next chapter, a summary of this research will be presented. This will be followed by a discussion of the study findings with reference to the literature earlier reviewed in chapter two of this research. Conclusions will then be drawn and recommendations for improvements and further study highlighted.
CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter discusses the findings of the study and draws conclusions from the research findings as well as the literature reviewed. The purpose of the study as well as the research objectives will be revisited and the findings will be discussed with reference to the research objectives. Recommendation for practice and further research will also be presented.

5.2. Summary of Findings

The main purpose of the study was to determine the effect of the external business environment on the level of commitment of entrepreneurs in Nairobi’s urban public transport industry by focusing on the General Motors Isuzu Bus entrepreneurs. Four research questions were formulated to guide this study and these were: (1) What is the influence of the level of entrepreneurial commitment on their success in the Matatu industry? (2) What is the impact of economic and business freedom in Kenya on the commitment of entrepreneurs in the Matatu industry? (3) What is the influence of financial freedom in Kenya on the commitment of entrepreneurs in the Matatu industry? (4) What is the influence of investment freedom in Kenya on the commitment of entrepreneurs in the Matatu industry?

The study adopted a descriptive design in which a survey technique was carried out to collect data from the 33 seater minibus customers with an estimated population of about 82 respondents giving about a 59.9% response rate. The tool used to collect data was a structured questionnaire comprising of questions developed by the researcher. Data gathered from those questionnaires was quantitatively analyzed through the use of SPSS (Statistical Package for Social Sciences). The analysis tool (SPSS) generated descriptive statistics and inferential statistics for easy interpretation of data and the results were then presented using tables, charts and graphs.

The study found that there was a weak linear correlation between all the variables and the level of entrepreneurial commitment as follows: the values for the Pearson correlation
coefficient are 0.144, 0.102, and 0.014, respectively for business freedom, investment freedom and financial freedom respectively.

According to the results of the study, the following factors indicated a moderate positive correlation between entrepreneurial commitment and success in the matatu industry: active engagement in goal attainment (64%); satisfaction with matatu performance (51%); satisfaction with professional life (51%); too costly to leave the matatu industry (59%); correlation between loyalty and current conditions; and too few options to leave the industry. Additionally, one of the factors, too many people leaving the matatu industry, indicated a strong positive correlation between entrepreneurial commitment and success in the matatu industry. Lastly, the following factors indicated a moderately negative correlation between entrepreneurial commitment and success: adequate support from the matatu Sacco (48%); whether they were taught to believe in loyalty (38%); and better offer elsewhere as the drive to leave the industry (32%).

The results of the study indicated a moderately positive correlation between financial freedom and the level of entrepreneurial commitment on all of the factors under review. The leading factor on which participants agreed was ‘strong collaboration with manufacturers’ (70%), followed by improved service quality (54%), and improved support from financial institutions (49%).

The results of the study suggest a moderately positive correlation between investment freedom and the level of entrepreneurial commitment on the following factors: restrictions on vehicle ownership (57%); investment laws and practices not transparent (52%); sectoral investment restrictions (48%); low import duties on importation of units (43%); insufficient policy implementation (48%); and fast transactions and capital movements. Additionally, the only factor which indicated a strong positive correlation was favourable income tax duties. Finally, one factor, matatu industry transparency (78%) indicated the strongest negative correlation with the level of entrepreneurial commitment.

The results of the study indicated a moderate positive correlation for all the factors for business freedom on entrepreneurial commitment but two, duration of days (42%) and cost of
obtaining a license (44%), which had moderate negative correlations with entrepreneurial commitment.

5.3. Discussion

5.3.1. The Impact of entrepreneurial commitment on the success in the Matatu industry

The first objective of the study was to determine the impact of entrepreneurial commitment on the success in the Matatu industry. According to the results from the findings, the active engagement by entrepreneurs was very critical to their success which tallies with Cardon, et al. (2009) who found that entrepreneurial passion results from the engagement of entrepreneurs in activities with identity, meaning and relevance.

This study also found that the majority (68%) of entrepreneurs were dissatisfied with the level of support that they receive from their Saccos, which is consistent with Welsch, et al. (2003) who found that the perception by an individual of key success factors such as governmental support, family and spousal support, in addition to the right circumstances in life stage can create a priceless quantity referred to as entrepreneurial intensity or colloquially as “fire in the belly”.

According to the results of the study, there was a weak correlation (45%) between the loyalty of entrepreneurs to their industry and their success which is at odds with Adir, et al. (2015) when they found that entrepreneurial commitment relates to an entrepreneur’s obligation and diligence towards the business.

The study found that there was no significant relationship between the political business environment and the level of entrepreneurial commitment in Kenya’s public transport industry. This contradicts the findings of McMullen, et al. (2008) who examined the correlation between levels of entrepreneurship and government-related policies on economic freedom and found that fiscal freedom, monetary freedom, and labour freedom are all associated with the decision to engage in entrepreneurial activity.

The study also found out that the entrepreneurs were not happy with the national treatment of investment in the Matatu industry (68%). This was consistent with Miller and Kim (2016)
who found that intrusion into economic freedoms of individuals invariably interferes with the creation of an enabling environment for entrepreneurship.

The study found out that entrepreneurs are happy (70%) with the low import duties charged on importation of units which is a key positive on the part of investment freedom. This is consistent with Miller and Kim (2016) who found that Kenya scored very well on trade freedom and regulatory freedom which are features of investment freedom.

5.3.2. The Impact of financial freedom on entrepreneurial commitment

The second objective of the study was to determine the impact of financial freedom on entrepreneurial commitment in the Matatu industry. According to the results of the study, there is a strong positive correlation (90%) between the availability of funds and the level of investment in the Matatu industry. This is consistent with Markova and Petkowska-Mircevska, (2009) who found that the importance of financial freedom to entrepreneurs pushing them to seek a wide variety of internal and external sources of funding.

The study found out that there was a definite correlation (90%) between access to affordable interest rates and the level of investment in the Matatu industry. This is consistent with Besley & Ghatak, (2014) who found that financial freedom refers to accessible and efficiently functioning financial system that ensures the availability of diversified savings, credit, payment, and investment services to individuals.

The study found out that the vast majority of entrepreneurs value the acquisition of financial management skills in order to make better use of investment opportunities (68%). This is consistent with Denis (2004) who found that financial freedoms within entrepreneurial realms require more out-of-the box/bespoke financial solutions than those of non-entrepreneurial pursuits thus necessitating the need for higher than average financial management skills.

The study found a marginal correlation (54%) between the government’s influence on the allocation of credit and the level of investment in the Matatu industry. Gwartney et al. (2006) refer to such interventions by the government as fiscal freedom and concur that it is a critical element in the provision of necessary financial freedoms.
According to the study, there was a strong correlation (70%) between a strong collaboration with manufacturers and the level of investment in the Matatu industry. This is consistent with the findings of Markova and Petkovska-Mircevska (2009) who found that entrepreneurs depend on strategic business alliances to source for internal resources for business.

The study found that entrepreneur’s value improved support from financial institutions (58%) as a determinant of the level of investment in the Matatu industry. This mirrors the findings of Sufian & Habibullah (2014) with regards to the value of access to credit for entrepreneurs.

The study also found out that self-support in case of emergencies occasioned by unpredictable factors affects the level of investment in the Matatu industry at about 70%. This is consistent with Denis (2004) who found that financial freedom revolves around the resolution of agency problems and information asymmetries; and self-support in case of emergencies would definitely fall under the “agency problem and information asymmetries” banner.

The study found out that entrepreneurs encountered sectoral investment restrictions which were a barrier to investment freedom (78%) which is consistent with Cebula & Mixon (2014).

### 5.3.3. The impact of the business freedom on entrepreneurial commitment

The third objective of the study was to determine the impact of the business freedom on the entrepreneurial commitment in the Matatu industry. According to the study there was a strong correlation (68%) between the number of procedures when starting a business and the business freedom in the Matatu industry. This is consistent with Moreno & Guerrero (2012) regulatory efficiency was an essential aspect of business freedom.

The study also found out that the amount of time needed to start a business (56%) influences the business freedom in the Matatu industry. This is consistent with Parker & Kirkpatrick (2012) regarding the importance of regulatory efficiency as an essential aspect of business freedom.

According to the study the minimum capital requirement affects the cost of starting a business (88%). This is consistent with Aidin et al. (2010) who found that government
interference in financial markets was has a great bearing on the business freedom in a country.

The study found that the process of obtaining a license affects the business freedom in the Matatu industry (90%). This is in keeping with Ridderstedt (2014) when he found that regulatory efficiencies were critical to the business freedoms enjoyed by the citizens of a country.

The study found out that there is a strong correlation between the time in years/months (72%) and the business freedom which in agreement with Parker & Kirkpatrick (2012) regarding the link between regulatory efficiency and business freedom.

According to the findings from the study the cost (as a percentage of investment) of closing a business affects the business freedom in the Matatu industry (61%). Additionally, the recovery rate of closing a business affects the business freedom the Matatu industry (64%). This is consistent with Ridderstedt (2014) on the link between regulatory efficiency and business freedom.

5.4. Conclusions

5.4.1. The Impact of entrepreneurial commitment on the success in the Matatu industry

There is a strong correlation between the active engagement by entrepreneurs and their commitment to the Matatu industry. Given that this was also backed by the literature, it is clear that in order for entrepreneurs to succeed and, therefore, be committed to the public transport industry, they must be actively engaged in all the aspects of their businesses.

The study found a strong correlation between the level of support from the government and their commitment to the Matatu industry which was also mirrored by the findings from the literature. This shows that governmental support is critical to the attainment of required business freedoms and ultimately the level of commitment from entrepreneurs in the Matatu industry.
The study did not find a strong correlation between the feeling of loyalty to the Matatu business and entrepreneurial commitment. However, given that the literature contradicted this finding, it is obvious that the practical conditions in the industry have been so challenging that loyalty has taken a back seat to other more pressing concerns.

The study also found a weak correlation between the political business environment and entrepreneurial commitment meaning that all the parameters that were investigated scored very weakly in relation to entrepreneurial commitment. The fact these findings contradicted the existing literature also points to a disconnect between the actual situation on the ground and the expected position regarding the role of the political business environment on entrepreneurship in the Matatu industry. It is apparent that the entrepreneurs lack political astuteness that would enable them to make the best of this resource.

The lack of satisfaction by entrepreneurs with the treatment of investment in the Matatu industry points to the industry not getting the required level of support from the concerned government agencies.

The entrepreneurs were satisfied with the import regime established by the regarding the importation of units into the industry. This shows that the Government has done very well in this aspect of business freedoms within the Public Transport industry.

5.4.2. The Impact of financial freedom on entrepreneurial commitment

The strong correlation between the availability of funds and the level of investment (and, ultimately, the level of commitment by entrepreneurs) affirms that this is a critical element in the establishment of financial freedoms in the Matatu industry. This is also backed up by the literature.

The study also found a strong positive correlation between the access to affordable interest rates and the level of entrepreneurial commitment. This means that the access to affordable interest rates is a strong determinant of financial freedom in the Matatu industry.

The study found that good financial management skills were essential to the entrepreneurs’ ambitions of success and, ultimately, their commitment to the Matatu industry. Thus, the
assessment of financial freedoms would not be complete without an evaluation of the opportunities to access higher education for entrepreneurs.

The marginal correlation between the extent of government intervention in the access to credit and the level of investment in the Matatu industry shows that it is not yet a critical element in the consideration of financial freedoms in Kenya. However, this is contracted by the literature which is quite effusive of the relevance of government inference in assessing the financial freedom.

The strong correlation between the strategic linkages with manufacturers and the level of investment in the Matatu industry demonstrates that this is a key component of financial freedom analysis in the Matatu industry.

5.4.3. The impact of the Business Freedom on entrepreneurial commitment

The strong correlation between the number of procedures involved in starting a business and the business freedom is a clear indication that it is critical to the establishment of business freedoms in the Matatu industry.

The time taken to start the business was found to be critical to investment in the industry. Thus, time taken to start the business is a key element of business freedoms in the Matatu industry and by extension to the level of entrepreneurial commitment.

Minimum capital requirements, as indicated by the study and the literature review, are critical to the business environment in the Matatu industry. This means that minimum capital requirements must be included in the business freedom assessment of the Matatu industry in Kenya.

The process of obtaining a license has a strong bearing on the level of investment in the Matatu industry. Therefore, it is an essential element of the business freedoms enjoyed by entrepreneurs in the Matatu industry.

The cost of closing down a business along with the recovery rate after closure are essential to the assessment of the regulatory environment in the Matatu industry. Given that the
regulatory environment is a key element of business freedoms, then it shows that it is also critical to the business freedoms in the Matatu industry.

5.5. Recommendations

The study has covered the findings, analysis and conclusions. However, it will now focus on how the study can actualize the significance which was introduced in chapter 1. This will be done by linking the results from chapter 4 with the conclusions in 5.4 above. It will be organised in terms of the recommendations for improvement and the recommendations for further studies.

5.5.1. Recommendations for improvement

5.5.1.1. The Impact of entrepreneurial commitment on the success in the Matatu industry

The Government needs to be at the forefront of organising stakeholder engagement forums for the Matatu sector so as to provide more opportunities for active engagement of the entrepreneurs so as to tap into this critical part of entrepreneurial commitment. These forums should be organised in such a way that they do not leave out any key stakeholder and their frequency should be regular enough to be effective. Additionally, the other industrial stakeholders such as the Saccos, the Owners, and the Operators should be having their own stakeholder engagement forums to feed into the bigger forums.

The Government needs to be informed about the support parameters that are important to the entrepreneurs in the Matatu industry so that all efforts are undertaken to ensure as much implementation as possible. This will ensure that the level of support given by the Government reaches acceptable levels so as to provide better business freedom and facilitate greater entrepreneurial commitment.

The Government of Kenya needs to address the disconnect between the entrepreneurs and their sense of loyalty towards the Matatu industry by engaging with the stakeholders to determine how to build the sense of loyalty. This can be done in the aforementioned stakeholder engagements where suggestions from the entrepreneurs regarding how to boost their sense of loyalty can be discussed and tried out for implementation. Additionally, the
Government through the Ministry of Transport can commission a study in advanced economies where entrepreneurial loyalty in the public transport sector has been addressed, so that the findings of the same can be customized to suit the local situation here in Kenya.

The internal stakeholders of the Matatu industry need to determine how best to boost the level of political astuteness within the industry especially amongst the entrepreneurs. They can probably organize workshops and seminars to train the entrepreneurs on the political business environment and the possible benefits that one can derive from proper exploitation of the same.

5.5.1.2. The Impact of financial freedom on entrepreneurial commitment

Although the current financial market situation is not bad, a few more things can be done to enhance access to funding for the entrepreneurs in the Matatu industry. Firstly, banks as well as other lending institutions should consider the possibility of coming up with policies and procedures geared towards catering for specific credit needs for entrepreneurs in the Matatu industry so as to address the unique challenges faced them. Given the size of the sector, it would not hurt to have dedicated business relationship managers within the banks to deal with the entrepreneurs in the industry. The Saccos are restricted by the fact that they draw their membership primarily from clients in low income to middle income groups thus meaning that the funds that can sourced from this medium are limited (Mumanyi, 2014). Efforts need to be made to see how other income groups can be encouraged to join the sector so as to boost the funding pool.

The Saccos need to incorporate training opportunities for their members to attain basic financial management skills necessary for higher proficiency in their investment efforts so as to act as an inducement to members to feel greater sense of loyalty to the industry and lead to less drop-outs.

The industry stakeholders need to be encouraged to improve their exploitation of strategic linkages with manufacturers within the Matatu industry. For instance, networking
opportunities can be generated through invitations by the Sacco management to representatives from manufacturing concerns to engage with their members.

5.5.1.3. The impact of the Business Freedom on entrepreneurial commitment

The Government needs to determine the recommended number of procedures involved in the business start-up process along with the time taken to finish the process and conduct detailed comparative assessments to see the efficacy of implementation of the same so as to enhance business freedom and boost entrepreneurial commitment. One source can be the World Bank Transparency report for 2016 (Miller and Kim, 2016) which clearly indicates the gaps in implementation for Kenya.

The Government can engage the banks to determine how they can adjust the minimum capital requirements so as to enhance the access to investment capital for entrepreneurs in the industry. Gudmundsson, Ngoka-Kisinguh and Odongo (2013) affirm that although the Government instituted higher minimum capital requirements to strengthen institutional structures and improve the resilience of the banking industry, opponents argue that this only serves to make an already concentrated industry even worse and engenders the formation of cartels which does not serve the entrepreneurs well since access to financial will be more difficult in an environment of shrinking banking competition.

5.5.2. Recommendations for further research

The study has covered many works done by foreign authors on the subject of entrepreneurship as well as a few works done by local authors. However, a number of gaps in the research have materialised after the completion of the findings. Firstly, more work needs to be done on the essential business and financial freedoms and their impact on entrepreneurship in Kenya and beyond. Secondly, some of the findings from the actual data analysis were not supported by literature such as the impact of income per capita % on entrepreneurial commitment. This is obviously a gap that needs to be addressed. Thirdly, although there were some works done by local authors on paratransit transportation in Kenya, they were sparse and tended to be the same people over and over so the interest in the subject needs to be boosted so that more people can contribute to the existing body of knowledge.
References


Transport SACCOs in Kenya. A research paper first presented at the ICA Global Research Conference Held at Mikkeli in Finland.


APPENDICES

Appendix 1: Letter of Introduction

RE: Request To Collect Research Data

Dear Respondent,

I am a graduate student at United States International University pursuing Masters in Business Administration (MBA). I am carrying out research on “The effect of the external business environment on the level of entrepreneurial commitment in Nairobi’s public transport Industry: A Survey Study General Motors Isuzu Bus Entrepreneurs” which is in partial fulfillment of the requirement of the Degree of Masters in Business Administration (MBA) at United States International University-Africa.

This study will benefit investors/entrepreneurs (such as yourself) by providing information regarding the means by which they can mobilize the right persons to invest in their businesses; as well as identifying the environmental challenges they are likely to encounter; and finally, the results of the study will provide a basis for them to create opportunities for greater business freedom.

This is an academic research and confidentiality is strictly emphasized, your name will not appear anywhere in the report and the research will only be used for academic purposes. Kindly spare some time to complete the questionnaire attached.

Yours sincerely,

Rose Mombo
(Researcher) USIU-Africa
Please read carefully and answer the questions to the best of your ability and as honestly as you can. Kindly note that there is no correct or wrong answer, however, your answers will be invaluable to the accomplishment of the objectives of the study. The researcher reiterates that your participation will be completely anonymous and the confidentiality of any information that you provide will be respected.

SECTION A: BACKGROUND

1. Name of the Matatu SACCO: ……………………………
2. Gender □ Male □ Female
3. Education level
   □ College/University Diploma
   □ Bachelor’s Degree
   □ Master’s Degree
   □ PHD
   □ Other (Specify)………………………………………………………………………..
4. How long have you been conducting transport business?
   (Kindly tick one below):
   □ Less than 3 years
   □ 4-5 years
   □ 6-7 years
   □ Over 7 years
5. Nature of bus ownership (kindly tick one below):
   □ Individual
   □ Joint/Group
   □ Company
   □ Other (Please specify)……………………………………………………………..
6. How many buses do you own? …………………………………………..
7. How much do you make from the transport business daily?
   Ksh………………………………………………………….
8. Competition
   How would you describe competition in the transport industry in your area of operations? (Please Tick one below)
SECTION B: BUSINESS FREEDOM AFFECTING THE INVESTMENT IN MATATU INDUSTRY

Business freedom is an overall indicator of the efficiency of government regulation of business. The quantitative score is derived from an array of measurements of the difficulty of starting, operating and closing a business.
Kindly (√) tick appropriately on a scale of 1-5. 1-Strongly Disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly Agree

<table>
<thead>
<tr>
<th>Kindly indicate the extent to which the following affects the business freedom of the investment in Matatu industry</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you feel that when starting a business, number of procedures to follow affects the business freedom that you enjoy?</td>
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<tr>
<td>2. Do you feel that when starting a business, the duration (days) affects the business freedom that you enjoy?</td>
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<tr>
<td>3. Do you feel the amount of time to start a business affects the business freedom?</td>
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<tr>
<td>4. Do you feel that the cost of starting a business is affected by the % income per capita of the population?</td>
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<tr>
<td>5. Do you feel that cost of starting a business is affected by the minimum capital required in the industry?</td>
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<tr>
<td>6. Do you feel that the process of obtaining a license affects your business freedom? (procedure and number of days: This includes the number of days and cost of getting the necessary permits)</td>
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<td>7. Do you feel that the cost of obtaining a licence affects your business freedom?</td>
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<td>8. Do you feel that the time (years/months) affects your business freedom?</td>
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<tr>
<td>9. Do you feel that the cost (as a percentage of investment) of closing a business affects your business freedom?</td>
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<tr>
<td>10. Do you feel that the recovery rate (cents on a shilling) of closing a business – recovery rate (cents on the shilling) affects your business freedom? (This includes the cost of closing a business, starting a new business and dealing with the licences equally.)</td>
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</table>
SECTION C: INVESTMENT FREEDOM AFFECTING THE INVESTMENT IN MATATU INDUSTRY

In an economically free country, there would be no constraints on the flow of investment capital. Individuals and firms would be allowed to move their resources into and out of specific activities, both internally and across the borders, without restriction.

Kindly (✓) tick appropriately on a scale of 1-5. 1-Strongly Disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly Agree

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you feel that the extent of national treatment of investment in the Matatus industry is satisfactory?</td>
<td></td>
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<tr>
<td>2. Do you feel that the Matatus industry is transparent in its operations and there are no burdensome bureaucracy?</td>
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<td>3. Do you feel that there is inefficient policy implementation and bureaucracy in the Matatus industry?</td>
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<tr>
<td>4. Do you feel that some investment laws and practices are not transparent or inefficiently implemented?</td>
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<tr>
<td>5. Do you feel that there are restrictions on vehicle ownership and routes to operate in?</td>
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<tr>
<td>6. Do you feel that there are sectoral investment restrictions in the industry?</td>
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<td>7. Do you feel that there are low import duties on importation of units?</td>
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<tr>
<td>8. Do you feel that there are favourable income tax duties?</td>
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<tr>
<td>9. Do you feel that there are low costs of fuel levies?</td>
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<tr>
<td>10. Do you feel that transactions and capital movement are fast and efficient with no or minimal barriers?</td>
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</tbody>
</table>
SECTION D: EFFECTS OF FINANCIAL FREEDOM ON INVESTMENT IN MATATU INDUSTRY

Financial freedom is an indicator of banking efficiency as well as a measure of the independence of government control and interference in the financial sector.

Kindly (√) tick appropriately on a scale of 1-5. 1-Strongly Disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly Agree

<table>
<thead>
<tr>
<th>Kindly indicate the extent to which the access to finance have affected the investment in Matatu Industry.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you feel that availability of funds has affected the level of investment in the Matatu industry?</td>
<td></td>
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</tr>
<tr>
<td>2. Do you feel that access to affordable interest rates has affected the level of investment in the Matatu industry?</td>
<td></td>
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</tr>
<tr>
<td>3. Do you feel that improved service quality to clients has affected the level of investment in the Matatu industry?</td>
<td></td>
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<tr>
<td>4. Do you feel that awareness of financial management skills has affected the level of investment in the Matatu industry?</td>
<td></td>
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</tr>
<tr>
<td>5. Do you feel that the extent of government regulation of financial services has affected the level of investment in the Matatu industry?</td>
<td></td>
<td></td>
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<tr>
<td>6. Do you feel that the degree of state intervention in banks and other financial firms through direct and indirect ownership has affected the level of investment in the Matatu industry?</td>
<td></td>
<td></td>
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<tr>
<td>7. Do you feel that Government influence on the allocation of credit has affected the level of investment in the Matatu industry?</td>
<td></td>
<td></td>
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<tr>
<td>8. Do you feel that strong collaboration with manufacturers has affected the level of investment in the Matatu industry?</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>9. Do you feel that improved support from financial institutions has affected the level of investment in the Matatu industry?</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
10. Do you feel that ability of self-support in case of emergencies occasioned by unpredictable factors has affected the level of investment in the Matatu industry?

SECTION E: NORMATIVE COMMITMENT OF INVESTORS WITHIN THE INDUSTRY

Normative commitment reflects an obligation by an investor to continue operating in the industry. It results from perceived benefits that an investor deems as accruing from continued stay in the industry. Kindly (✓) tick appropriately on a scale of 1-5. 1-Strongly Disagree, 2-Disagree, 3-Uncertain, 4-Agree, 5-Strongly Agree

<table>
<thead>
<tr>
<th>Kindly indicate the extent to which you feel obligated to remain in the Matatu Industry.</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you feel that the performance of your Matatu(s) within the industry has been satisfying?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Do you feel that your professional life within the Matatu Industry is satisfying as an entrepreneur?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. Do you feel that you are actively engaged in realizing your corresponding goals as an entrepreneur in the matatu industry?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. Has the Matatu Sacco provided adequate support to you, as an entrepreneur, thus ensuring your continued commitment to the Industry?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. Do you feel that it would be too costly for you to leave the matatu industry now?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6. Do you feel that too many people are leaving the matatu industry today?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7. Do you see a correlation between the loyalties of people to the matatu industry and conditions then that the current situation?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8. Do you feel that you were taught to believe in loyalty to one’s industry?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
9. Do you feel that a better offer from elsewhere would compel you to leave the matatu industry?

10. Do you feel that there are too few options for you to consider leaving the industry?

THANK YOU FOR YOUR TIME!
### Appendix ii: Work plan

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Proposal writing</td>
<td></td>
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<tr>
<td>Making changes and amendments on the proposal</td>
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<td>Proposal defence</td>
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<tr>
<td>Data Collection</td>
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<tr>
<td>Data Coding &amp; Editing</td>
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<tr>
<td>Data Analysis</td>
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<td>Report Writing</td>
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<td>Project Presentation</td>
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</table>
## Appendix iii: Budget

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
<th>Unit cost (shs)</th>
<th>Number of units</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Stationary and related items</td>
<td>Fullscaps (2reams)</td>
<td>200</td>
<td>2</td>
<td>400</td>
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<tr>
<td>Printing papers</td>
<td>10 reams</td>
<td>400</td>
<td>10</td>
<td>4000</td>
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<tr>
<td><strong>Proposal writing</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Internet services</td>
<td>6000 mins@3shilling</td>
<td>3</td>
<td>3000</td>
<td>9000</td>
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<tr>
<td>3G Safaricom and Yu Modem</td>
<td></td>
<td>2</td>
<td>2000</td>
<td>4000</td>
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<tr>
<td>Transport and logistics for researcher</td>
<td>field operation</td>
<td>10000</td>
<td>1</td>
<td>10000</td>
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<tr>
<td>subscribing to international journal site</td>
<td>Emerald</td>
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<td></td>
<td>6000</td>
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<td>Library fee for two months</td>
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<td>3500</td>
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<td>7000</td>
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<td>Flash disk</td>
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<td>1200</td>
<td>2</td>
<td>2400</td>
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<td>pencils and writing pens</td>
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<td>30</td>
<td>6</td>
<td>180</td>
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<td>Proposal photocopy:</td>
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<td>5000</td>
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<td><strong>Data collection</strong></td>
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<tr>
<td>Supervision of data collection</td>
<td>Over the 6 weeks</td>
<td>2000</td>
<td>4</td>
<td>8000</td>
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<tr>
<td>Principal researcher travel to around area</td>
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<td>2000</td>
<td>2</td>
<td>4000</td>
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<tr>
<td><strong>Project preparation</strong></td>
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<tr>
<td>Project photocopy</td>
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<td></td>
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<td>3000</td>
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<tr>
<td>Project binding</td>
<td>Spiral bound copies</td>
<td>600</td>
<td>3</td>
<td>1800</td>
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<tr>
<td>Project binding</td>
<td>Hard cover binding</td>
<td>800</td>
<td>5</td>
<td>4000</td>
</tr>
<tr>
<td>Miscellaneous</td>
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<td>3000</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
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<td><strong>71,780/=</strong></td>
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</table>