

**EFFECT OF ENTREPRENEURIAL ORIENTATION ON PERFORMANCE OF ISLAMIC
FINANCING AMONG MICRO AND SMALL ENTERPRISES IN KENYA**

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ABSTRACT

Small and Medium enterprises (SMEs) contribution to the Kenyan economy is widely acknowledged, they cut across all sectors of the economy and provide many employment opportunities and generate widespread economic benefits. However, SMEs face a mixture of success and failure with past statistics indicating that three out five fail within the first few months of operation. The main objective of the study was to investigate the effect of entrepreneurial orientation on the performance of Islamic Financed MSEs in the Kenya. The study also sought to establish the effect of Innovativeness, Risk taking, opportunity recognition and pro-activeness on the performance of Islamic Financed MSE's in Kenya. The study used a descriptive survey design. The target population of this study was all the 410 SME owners being financed by Islamic banks in Kenya. A formula was used to establish a sample size of 202 respondents. Primary data was collected and analysed descriptively and inferentially. The study found that innovativeness was the most significant factor influencing the performance of MSEs in Kenya most, followed by pro-activeness, opportunity recognition and risk taking. The study also found that financial risk, trusting of employees and investing in high risk projects as measures of risk taking among entrepreneurs were influencing the performance of Islamic financed MSEs. The study established that imitativeness towards competitors, imitativeness towards introducing new products as well as overall position as measures of pro-activeness

were influencing the performance of Islamic financed MSEs. The study also established that emphasis on research and development, introduction of new products and changes to the current products as measures of innovativeness were influencing the performance of Islamic financed MSEs. The study revealed that number of opportunities in the past, presence of a vision and number of market opportunities as measures of opportunity recognition were influencing the performance of Islamic financed MSEs. The study recommends that MSE owners should improve their risk taking by taking goods on credit, mentoring and coaching of staff, delegation of duties and taking loans for expand their businesses. The study also recommends that MSE owners should be proactive through the development of strategic plans to guide their organizations on what to be done in the future. In addition, MSE owners should improve on the number of times they conduct industry analysis, competitor analysis or market research to at least twice an year.

Key Words: Innovativeness, Risk taking, Opportunity Recognition, Pro-activeness, Performance, Islamic Financed MSE's in Kenya

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