EFFECTS OF CRIME ON THE PERFORMANCE OF SMALL ENTERPRISES IN THE CENTRAL BUSINESS DISTRICT ELDORET TOWN, KENYA

BY

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DECLARATION AND APPROVAL

This research thesis is my original work and has not been submitted for the award of a degree or diploma in any other university or college or institution. All used references have adequately been acknowledged and no part of this project may be reproduced without any prior permission of university of Eldoret or the author.

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DEDICATION

To my wife Sonee and children Elvis, Rahab, Lawi and Luke

ABSTRACT

The need to protect property rights and fighting crime continues to be an urgent task for authorities in many developing countries because it assists in enterprise start up and growth. This study was to find out the effect of burglary on performance of small enterprises, to find out the effect of robbery on performance of small enterprises, to examine the relationship between robbery acts burglary acts and employee infidelity acts on the performance of small enterprises and to find out the challenges entrepreneurs face in addressing robbery, burglary and employee infidelity in Eldoret Town. The study was guided by theory of rational choice and use of explanatory research design. More than 2000 small enterprises which are formally registered with Eldoret municipal council were targeted in the study. A random sampling technique was used to select 300 respondents for the study. Structured questionnaire were used to collect primary data. Descriptive and inferential statistics was used in the study. The study findings showed that robbery had significant and positive effect on performance of SE ($\beta_1 = -0.240$, $\rho < 0, 05$). Similarly, employee infidelity ($\beta2 = -0.201$, $\rho < 0.05$) and burglary $\beta_2 = -0.201$, $\rho < 0.05$) had significant negative impact on small enterprise performance. The findings showed that robbery activities were major cause of financial loss. Therefore SE performance will improve if there is a reduction in robbery activities. The study recommends that guidelines on dealing with burglary activities should be communicated from top police management to all those involved in maintaining security in order to create an enabling business environment for small enterprises. An appropriate working environment in enterprises should be provided to employees to reduce employee infidelity.

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LIST OF ABBREVIATIONS

CBD   - Central Business District

CCTV   - Closed circuit television

EMC   - Eldoret Municipal Council

NCRDMD   - Not criminally responsible due to mental disorder

PM   - Project Management

ROA   - Return on assets

ROI   -Return on investments

ROE   -Return on expenditures

SE   - Small Enterprises

DEFINITION OF TERMS

Burglary - breaking and entering into a dwelling house of a person by another unlawfully with an intent to commit a felony.

Crime - an act committed in violation of law.

Employee Infidelity -theft by an employee or a servant.

Felony - serious criminal offence punishable by law.

Robbery -attempting to take property of another person by threats.

ACKNOWLEDGEMENT

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter cover the background to the study, statement of the problem, objective of the study, significance of the study, scope and limitations of the study.

1.2 Background of the Study

Small enterprises in the recent past have formed the backbone of the economies in developing countries, by creating employment amongst the youth. Small enterprises have empowered the youth who are mainly literate but cannot secure jobs. The majority of the youth have thus engaged in entrepreneurial activities in the small enterprises sector. The opportunities provided in the small enterprises sector are enormous, including innovation and creativity.

Small enterprises have indicated a strong evidence of their major role in the growth and development of all leading economies in Asia (United Nations, 2001). Yet to date limited studies have been undertaken worldwide that focus on business and instances of crime as a factor affecting performance. Studies undertaken in the United States have suggested that crime is responsible for up to 30 per cent business failure (Ben-Yishay and Pearlman, 2014). Crime is considered an important new dimension of costs of weak property rights particularly in developing countries (Ben-Yishay and Pearlman, 2014).

In urban areas and informal settlements, small enterprises are more likely to be exposed to violent crime compared to the rural villages. This is because of organized crimes that are taking place in urban areas, by criminals who want to unlawfully

acquire wealth. Owing to threat of crime therefore, business owners in urban and informal settlements are discouraged to invest. Crime contributes to direct and indirect costs in an enterprise. Direct costs are made up when the value of money or goods stolen while indirect costs include the cost of disruption, temporary close of business and loss of necessary equipment. Significant costs of crime to businesses, include severe crime incidences or fear for victimization over a short period of time that could result in businesses closing down.

1.3 Statement of the Problem

Entrepreneurs operate well in environments which do not put their enterprises in danger arising from criminal activity. This thus results in the growth and development of entrepreneurial activities. The law regarding ownership of property when enforced, encourage investors to invest. Yet, criminal activities in most parts of the world have been a major hindrance to private property ownership, hindering entrepreneurial development. Most enterprise in Kenya have faced one aspect of criminal activity or the other, hence affecting performance. However, evidence to quantify the magnitude of the loss resulting from criminal activity is limited. Equally, there are limited studies that have documented the potential impact of crime on the performance of the enterprises hence the need for this study.

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of this study was to determine the factors that contribute to crime against small enterprises (SEs) and its effect on enterprise performance.

1.4.2 Specific Objectives

i. To determine the effect of burglary on performance of Small Enterprises

ii. To examine the effect of robbery on performance Small Enterprises

iii. To examine the effect of employee infidelity on the performance of small enterprises

1.5 Research Hypothesis

HO_1 There is no significant relationship between burglary and small enterprise performance

HO_2 There is no significant relationship between robbery and small enterprise performance

HO_3 There is no significant relationship between employee infidelity and small enterprise performance

1.6 Significance of the Study

This study is of great significance to small enterprises, entrepreneurs, the government and other stakeholders. It will enable the SEs to understand the effects of crime on its performance. The government could use the findings of this study to enhance security measures provided to small enterprises in Eldoret CBD and other similar towns. Stakeholders will access goods and services on time without disruption as a result of criminal activities once security measures are enhanced.

1.7 Scope and Delimitations of the Study

The study covered the effects of criminal activities on the performance of SEs in Eldoret town Central Business District. Data was collected from entrepreneurs in the small enterprise sector. The entrepreneurs who were respondents included small

traders, small eating houses among others. The CBD covered mainly the town centre to a radius of one kilometer from the Eldoret town hall. This study was conducted between November 2012 and January, 2014.

1.8 Limitations of the Study

Some government reports were confidential and hence it was difficult to secure them for this study. In addition, some respondents were not willing to give account on the criminal incidences experienced in small enterprises in Eldoret CBD for fear of victimization. Some respondents could have been dishonest in the responses depending on individual perception. The researcher overcame these limitations by using data triangulation strategy to validate the responses from all the participants in the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter involves the systematic identification, location and analysis of documents containing information related to the research problem under investigation. Literature related to effects on criminal activities and small enterprise performance is critically analyzed.

2.2   Review of Theories

2.2.1   Rational Choice Theory

In criminology, the rational choice theory adopts a utilitarian belief that man is a reasoning actor who weighs means and ends, costs and benefits, and makes a rational choice. Rational choice theory sprung from older and more experimental collections of hypotheses surrounding what have been essentially, the empirical findings from many scientific investigations into the workings of human nature (Scott, 2000).

The conceiving and semblance of these social models which are hugely applicable to the methodology expressed through the function of microeconomics within society are also similarly placed to demonstrate that a sizable amount of data is collated using behavioral techniques which are tweaked and made adjustable in order to ensure compatibility with the spontaneous motivational drives displayed by the consumer. The theory is related to earlier drift theory (Matza and Sykes, 1964) where people use the techniques of neutralization to drift in and out of delinquent behavior, and the Systematic Crime Theory (an aspect of Social Disorganization Theory developed by the Chicago School), where Edwin Sutherland proposed that the failure of families

and extended kin groups expands the realm of relationships no longer controlled by the community, and undermines governmental controls. This leads to persistent "systematic" crime and delinquency. He also believed that such disorganization causes and reinforces the cultural traditions and cultural conflicts that support antisocial activity.

The systematic quality of the behavior was a reference to repetitive, patterned or organized offending as opposed to random events. He depicted the law-abiding culture as dominant as and more extensive than alternative criminogenic cultural views and capable of overcoming systematic crime if organized for that purpose. In a similar vein, Cohen and Felson (1979) developed Routine Activities Theory which focuses on the characteristics of crime rather than the offender's. This is one of the main theories of environmental criminology as an aspect of Crime Prevention Theory. It states that for a crime to occur, three elements must be present, that is there must be an available and suitable target, a motivated offender and no authority figure to prevent the crime from happening.

Rational Choice Theory suggests that crime is calculated and deliberate. All criminals are rational actors who practice conscious decision making, that simultaneously work towards gaining the maximum benefits of their present situation.

Due to the minimal risk of police patrol after 5pm, merchants and clerks felt a diminished sense of risk, therefore allowing them to sell their products illegally to underage youth. According to O'Grady (2011) the three main critiques of Rational Choice Theory include: Assumes that all individuals have the capacity to make rational decisions. The theory does not explain why the burden of responsibility is excused from young offenders as opposed to adult offenders. This theory contradicts

the Canadian Criminal Justice System. This theory does not support the idea that all individuals are rational actors because of cognitive inability.

2.2.2 Labelling theory

The label of crime and the accompanying social stigma normally confine their scope to those activities seen as injurious to the general population or to the State, including some that cause serious loss or damage to individuals. Those who apply the labels of "crime" or "criminal" intend to assert the hegemony of a dominant population, or to reflect a consensus of condemnation for the identified behavior and to justify any punishments prescribed by the State in the event that standard processing tries and convicts an accused person of a crime (Hagan and Palloni, 1990)

2.2.3 Natural-law theory

Justifying the State's use of force to coerce compliance with its laws has proven a consistent theoretical problem. One of the earliest justifications involved the theory of natural law. The rule and measure of human acts is the reason, which is the first principle of human acts as suggested by Aquinas (2000). He regarded people as by nature rational beings, concluding that it becomes morally appropriate that they should behave in a way that conforms to their rational nature. Hagan and Palloni (1990), an early positivist, applied utilitarianism in accepting the calculating nature of human beings and the existence of an objective morality. The authors further alluded that the legal validity of a norm depends on whether its content conforms to morality (ibdi). Thus in Austinian terms a moral code can objectively determine what people ought to do, the law can embody whatever norms the legislature decrees to achieve social utility, but every individual remains free to choose what to do. Similarly, Hart

(1961) saw the law as an aspect of sovereignty, with lawmakers able to adopt any law as a means to a moral end.

Thus the necessary and sufficient conditions for the truth of a proposition of law simply involved internal logic and consistency, and that the state's agents used state power with responsibility. Dworkin (2005) rejects Hart's theory and proposes that all individuals should expect the equal respect and concern of those who govern them as a fundamental political right. He offers a theory of compliance overlaid by a theory of deference (the citizen's duty to obey the law) and a theory of enforcement, which identifies the legitimate goals of enforcement and punishment. Legislation must conform to a theory of legitimacy, which describes the circumstances under which a particular person or group is entitled to make law, and a theory of legislative justice, which describes the law they are entitled or obliged to make.

One can solve this problem by granting some degree of moral relativism and accepting that norms may evolve over time and, therefore, one can criticize the continued enforcement of old laws in the light of the current norms. People may find such law acceptable, but the use of State power to coerce citizens to comply with that law lacks moral justification. More recent conceptions of the theory characterize crime as the violation of individual rights.

Since society considers so many rights as natural (hence the term right) rather than man-made, what constitutes a crime also counts as natural, in contrast to laws (seen as man-made). Smith (2007) illustrates this view, saying that a smuggler would be an excellent citizen; had not the laws of his country made that a crime which nature never meant to be so. Natural-law theory therefore distinguishes between criminality

(which derives from human nature) and illegality (which originates with the interests of those in power).

2.3   Critiques of the Theories

The value of rational choice theory for the social sciences has long been contested. It is argued here that, in the debate over its role, it is necessary to distinguish between claims that people maximize manifest payoffs, and claims that people maximize their utility. The former version has been falsified. The latter is not falsifiable, because utility cannot be observed. In principle, utility maximization can be adapted to fit any form of behavior, including the behavior of non-human organisms. Allegedly 'inconsistent' behaviour is also impossible to establish without qualification. This utility-maximizing version of rational choice theory has the character of a universal 'explanation' that can be made to 'fit' any set of events. This is a sign of weakness rather than strength. In its quest for generality, utility-maximizing rational choice theory fails to focus on the historically and geographically specific features of socio-economic systems. As long as such theory is confined to historical generalities, then it will remain highly limited in dealing with the real world. Instead we have to consider the real social and psychological determinants of human behavior (Hodgson, 2012).

Many sociologists view labeling theory as untestable and, by definition, not a true theory (Ridlon, 1988). Becker (1963) acknowledges that his labeling theory is a theoretical approach, not a true theory, and that sociologists should attempt to establish empirical tests for his approach. Another major criticism of labeling theory is its failure to explain primary deviance. Both Lemert (1951) and Becker (1963) believe that primary deviance is influenced by many different and changing variables and the research of primary deviance causes is futile.

Becker (1963) qualifies his approach to social reaction theory by stating that some groups of rule-breakers may be able to choose alternative courses of action. Critics say that even if the natural law is not a legal system of sorts it nevertheless is a system of rules of conduct (say, a system of moral rules). They make the same mistake: the natural law is not a system of rules of conduct hence the point of referring to the natural law is a critique of a legal system to find out whether it contains legal rules that are not lawful and to explicate why they are not rules of law.

2.4 Empirical Evidence

2.4.1 Performances of Small Enterprises

The term Small enterprises (SEs) encompass a broad spectrum of definitions. Different organizations and countries set their own guidelines for defining SEs, often based on headcount, sales or assets. While Egypt defines SEs as having more than 5 and fewer than 50 employees, Vietnam considers SEs to have between 10 and 300 employees. The World Bank defines SEs as those enterprises with a maximum of 300 employees, $15 million in annual revenue, and $15 million in assets. The Inter-American Development Bank, meanwhile, describes SEs as having a maximum of 100 employees and less than $3 million in revenue. The lack of a common definition has an effect on the eligibility of SE intervention schemes. The development of micro and small enterprises has attracted the attention of many policy makers in developing countries (CBS *et. al.,* 1999).

During the past two decades, performance of small enterprises has been researched on by a number of scholars. Most research focus on the analysis of performance determinants, in which critical success-factors were identified by researching relationships between input-factors and performance. Performance of small and

micro-enterprises, as organizational success or failure is seriously affected by the managerial competencies of owner-managers (Pansiri and Temtime, 2008).

Measuring performance of small and micro-enterprise is complex and challenging work (Sapienza and Grimm, 2007). The challenges are usually distinct from those of large organizations and, because most existing performance measurement systems were designed for the latter, few tools are available for small and micro-enterprises. The main challenges to measuring performance in small and micro-enterprises are as follows. First, collecting performance information from privately held small and micro-enterprises is often difficult due to a lack of historical information and accessibility. The information is often imperfect and the accuracy is hard to be checked even if the information can be obtained. For example, traditional financial measures of performance are often unavailable (Wang and Ang, 2004).

Secondly, financial data is difficult to interpret. This is because small and micro-enterprises usually have small starting base, enormous and erratic growth rate and uneven Record-keeping (Sapienza and Grimm, 2007). Third, many measures, such as future profits and survival, require a longitudinal sample-design. It is inappropriate to use such measures on small and micro-enterprise, due to the group's typically short operation-history (Wang and Ang, 2004). Fourth, financial data is often influenced by industry-related factors (Wang and Ang, 2004). The performance measures for ICT SEs present a different connotation from that for traditional industries. Fifth, there exists possible source bias, such as owner/founder might manipulate the related information in propaganda (Brush and Vanderwerf, 1992). Sixth, SEs' future and potential performance is more important than lagged- performance. This requires that

performance measurement systems not only measure lagged performance, but also capture future performance (Kaplan and Norton, 1992). Seventh, most SEs focus on day-to-day operations. There may not be enough resources to execute comprehensive performance measurement. Finally, the decision-making processes in SEs are always not formalized and their strategies are often poorly planned, which influences the standard performance measurement system employed in SEs (Garengo *et. al.,* 2005).

Many scholars believe that there are three fundamental differences between small and large firms: environmental uncertainty, innovation in products and service, and sustained evolution. Hence, performance measurements are often used in small and microenterprises to manage uncertainty, to innovate products and services, improve their processes, and benchmark against competitors (Garengo *et. al.,* 2005).

The performance measures of small and micro-enterprises vary widely. Murphy, Trailer & Hill reviewed the performance dimensions and measures used in literature then examined the relationship between performance variables. In his research (Garengo, 2005) Growth and profitability were found to be the two performance dimensions most frequently used in the empirical research. The performance indicators that were used in recent research are: Growth indicators, such as sales growth, were adopted by two thirds of the research. Efficiency indicators, such as return on assets (ROA), were used frequently. The former, however, was used more frequently in recent studies, while return on investment (ROI) was more frequently used ten years ago and more and more intangible and subjective indicators (for example, customer satisfaction and managerial satisfaction) were used, as compared to ten years ago.

There are many arguments on whether some indicators suit small and medium companies. For example, many scholars use the indicators of ROA, ROI or ROE to measure micro and small companies' performance. But studies had shown that self-reported return measures are not entirely reliable, and it is suggested that these indicators were not appropriate for micro- and small firms (Walsh, 2000; Chandler and Jansen, 2002; Chandler and Hanks, 2004). Profitability is a key component of financial performance. From the management's point of view, profitability reflects the effectiveness with which management has employed both the total assets and the net assets that are recorded on the balance sheet. Effectiveness is assessed by relating net profit to the assets utilized in the generation of the profit. From the owners' point of view (the shareholders in the case of a company), profitability means the returns achieved, through the efforts of management, on the funds invested by the owners.

2.4.2 Concept of Crime

Hirschi and Gottfredson (1983), suggest that crime is of a consensual nature given that everyone has the potential to break rules and that those who transgress the law make a rational choice to do so (based on the need for excitement, risk taking, or immediate satisfaction). In this instance the law necessarily differentiates appropriate from illegal behavior. In various ways they illustrate how our notions of crime are shaped by how we think about or perceive behavior, the role of certain individuals and groups in defining and responding to crime, and the broader socio-cultural context within which the definition of crime and its control occurs.

Becker (2003), pioneering work on moral entrepreneurship highlighted the process by which the perceptions and claims of certain groups (often criminal justice officials) were shaped by law and law enforcement, emphasizing that, in many instances, there

was an absence of empirical evidence to substantiate the level of concern associated with a given problem. Using the emergence of anti-marijuana legislation in the 1930s as an example, Becker illustrated how criminal justice officials effectively manufactured a crisis over the nature and extent of drug use, when in actuality drug consumption was rare.

According to Becker (2003), from this point of view, deviance is not the quality of the act the person commits, but rather a consequence of the application by others of rules and sanctions to an offender (emphasis in the original). Stanley Cohen's work on the sociology of deviance also brought to light the idea that definitions of crime were not objective, by revealing how crime can be produced through "moral panics." In essence, Cohen revealed that if we deem a group and its behavior to be a threat, and if this belief is supported through media accounts and professional claims, then we are likely to respond as such even though the nature and extent of the concern may be more perceived than real (Cohen, 1979).

In more recent decades, a new generation of critical criminological, legal, and socio-legal scholars has discussed and debated the nature of crime and law in society. Various feminists, for example, have brought to light different forms of gender bias within notions of law and its enforcement. Comack *et. al*., (2004) suggest, over the last twenty years, feminism has made considerable inroads in challenging us to reconsider the traditional approaches to understanding the law–society relation as well as the claims that law itself makes in its Official Version.

2.4.3 Robbery and the performance of Small Enterprises

Bamfield (2004) asserts that the robbery of small unit-value objects, such as making personal long distance phone calls at the enterprise's expense is robbery to the company. When done regularly and left uncontrolled, such kind of thefts can amount

to significant losses for the entrepreneur. There can be the detrimental impression amongst the employees that thefts of minor value items are tolerated and that the business can easily absorb the impact. Misappropriation of assets is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization. (Trevino *et. al.,* 1993).

Crime against businesses disproportionately impacts Small Enterprises. Nearly 80 per cent of firms affected by a major accident and without a proper contingency plan cease to exist within two years. In the UK alone, where break-ins and burglaries are the two most common crimes, the economy loses an estimated £19 billion - approximately £5000 per business. (Taylor, 2001).

Robbery has over the years become a major concern to business owners, economist, human resources practitioners, Psychologists, sociologist and policy makers (Bamfield, 2004; Weber, Kurke & Pentico, 2003; Greenberg, 2002). According to researchers (Hollonger, 1992; Taylor, 2006) workers and business owners have different definitions for theft. Behaviors some management considers as theft are not considered by employees as theft. Researchers have established thefts results in low productivity and profitability. Among the ways that organizations loss as a result of work place thefts according to (Moorthy et al., 2009) are stock replacement costs, time and diversion of resources from business activities, decreased employee morale, poor culture for productivity, and opportunity cost of missed sales.

Other researchers (Moorthy et al., 2011; Mishra & Prasad, 2006; Wells, 2001; Walsh 2000) have also identified these negative effects of stealing. Studies (Moorthy et al., 2009; Korolishin, 2003; Greenberg & Scott, 1996; Hollinger & Clark, 1983) have

documented various reasons why some employees steal from their work place. Among the various reasons are: unfair pay or inequity which leads to unhappiness, job dissatisfaction; believing that the employer is insured for losses; less or no punishment and to cover expenses. Various factors have been identified as influencing employees to steal by researchers (Baumol, 1990; Hollinger & Clark, 1983; Murphy, 1993) in various studies. Among the variables are age; gender; education; position of employee in an organization; ever stolen before; new employees; part-time workers; unmarried employees.

Researchers (Fikes, 2009; Simon & Houghton, 2003; Greenberg, 2002; Walsh, 2000; Murphy) have also identified work environmental factors that encourage theft. Factors identified are weak internal control systems; no or weak supervision and absence of punishment for workers who steal and are caught; low pay jobs; low status jobs; large organizations; little or no stake in the organization and misplaced trust. Researchers indicate that opportunity to steal motivates workers to steal. It has also been established by previous studies (Robinson & O"Leary-Kelly, 1998; Trevino et al. 1993 & Bandura, 1986) that workers who witness other workers stealing without been caught by management are also motivated to steal.

Research findings (Garber & Walkup, 2004; Bamfield, 2004; Tonglet & Bamfield, 1997) have established that many businesses over the years in developed and developing economies have collapsed due to theft. This is because such behaviours cost the organization a lot of revenue which can be used to expand the organizations.

2.4.4   Burglary and the performance of Small Enterprises

According to the Kenya police report on crime, burglary is also one of the most reported crime in Kenya. It states that burglary mainly affect the SEs that translates to a lot of loses which see many entrepreneurs close down some branches of their

businesses (Scott, 2001). Burglary causes lots of losses in SEs especially if a large proportion of the company's assets is taken. It may even lead to the collapse of the SE altogether due to poor performance and lack of funds. (Hagan and Palloni,1990).

Big businesses know global outsourcing and third party manufacturing arrangements can put IP and technology at risk without their owners being aware. However, the risks of IP burglary, brand piracy and counterfeiting are not restricted to the big end of town and Finlaysons Adelaide Partner, John MacPhail says SEs must be aware of them when looking offshore for many aspects of business. (Hagan and Palloni, 1990) Unfortunately, any business that sells its goods or services into a foreign market, or who works with a third party to perform business functions or provide services, risks that the third party might act in a way that (sometimes with the best of intentions), puts their IP at risk (Hagan and Palloni, 1990). This can occur when a company decides to outsource the upgrade of its website and graphic design work, or decides to have a third party manufacture its new products. The risk of this happening, however, increases when: the third party is in a country with weaker, less accessible, or simply unfamiliar laws preventing piracy; or the third party is far enough away to make monitoring the market difficult.

As a result, Small Enterprises are finding they are frequently the subject of copyright infringement, brand piracy or the counterfeiting of manufactured goods. This is happening to a great extent in China and India because of the volume of manufacture and the difficulty of enforcing IP rights in these countries. Businesses dealing in China and India can access the same kinds of protection available in Australia: good contracts, patents, trademarks and other forms of legal protection can be obtained in almost every market. These are important pieces in an outsourcing company's armory but can be cold comfort if Small Enterprises are not aware of the brand piracy

occurring, or where the cost of enforcement is greater than the value of the goods. (Adungo, 2011).

2.4.5   Employee infidelity and the performance of Small enterprises

Small and medium enterprises (SEs) are much more vulnerable proportionally to employee infidelity in especially in the form of fraud and much less able to absorb these losses than large corporation. The entrepreneur's principal objectives are profitability and growth, the business is characterized by innovative strategic practices and continued growth and may be seen as having a different perspective from small business owners in the actual development of their firm (Smith, 2007).

Employee infidelity through fraud is a major challenge and risk facing companies, governments and organizations. Each year, huge sums of money are lost because of the wide scale occurrence of fraud in addition to the high profile cases highlighted in the media. Fraud's impact is widely felt by employees, by other stakeholders, and ultimately on business performance. Fraud can produce serious consequences for businesses performance and in the long run even lead to insolvency or business failure (Korolishin, 2003)

Employees perpetrate most fraud cases – an Ernst & Young global survey1 suggests that in around 85 per cent of cases the most costly fraud is that of employees. Fraud caused by businesses themselves is also increasing and often relates to fraud perpetrated by: owners, management and others charged with monitoring and supervision. Despite this, fraud is often an unmanaged risk. Apathy is part of the problem – many organizations are not doing enough to prevent and report fraud or to set the proper tone at the top, creating and maintaining a culture of honesty and ethical behavior. (Moorthy *et. al.,* 2011).

Murphy (1993) argues that fraud is a major challenge and risk facing companies, governments and organizations. Each year, huge sums of money are lost because of the wide scale occurrence of fraud in addition to the high profile cases highlighted in the media. Fraud's impact is widely felt by employees, other stakeholders, and ultimately on business performance. Fraud can produce serious consequences for businesses performance and in the long run even lead to business failure.

Walsh, (2000) asserts that fraud perpetrated by external parties can involve the participation of the owner or management and the employees: it is perpetrated by fraudulent agreements with stakeholders of the business, like customers or suppliers. Again, this can cause significant losses to the business and usually leads to poor financial performance or business collapse if it is not detected in good time.

This kind of fraud can happen when the employee or management colludes with a supplier, for example where the actual quality or price of the delivery is lower than that indicated by the invoice, and the employee or management is paid a kickback. Similar agreements can be made by an employee and a customer, with the latter receiving more goods or services than stated on the invoice, in return for a fee paid to the employee participating in the fraud. (Wells, 2001).

2.5   Conceptual Framework

Crime could have an impact on the performance of small enterprises in various ways. The conceptual framework for this study identified Robbery, burglary and employee infidelity as the independent variables while the dependent variables in the framework included capital, profits and sales that we are looking at. It is here that we look on the Independent and dependent variables. The independent variables influence significantly on the dependent variable. Robbery, burglary and employee infidelity have a significant relationship on the performance of small enterprises thus they

become independent. Capitals, profits, and sales wholly depend on whether the enterprise has faced robbery, burglary or employee infidelity. If the small enterprises experience these crimes it will affect the profit margins, the sales as well as the capital which is the stock (Figure 2.1).

Independent variable   **Dependent variable**

Robbery

Burglary

Performance of SE's

Employee infidelity
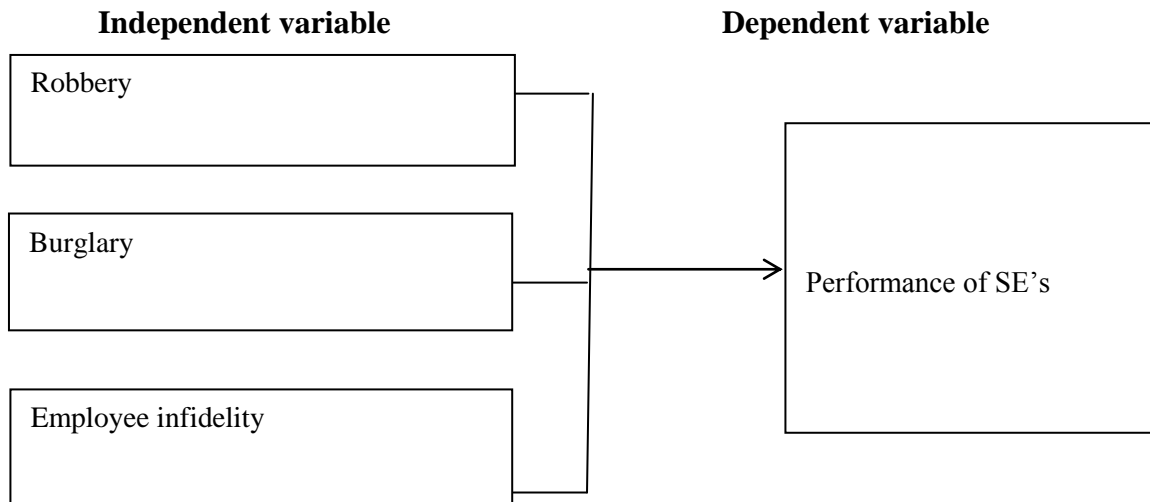
Figure 2.1: Conceptual Framework

2.5.1 Operationalization of variables

The independent variables will be based on factors derived from existing literatures. The questions will be modified to fit the context of crime on SEs. A total of 30 questions were developed to capture the three adoption factors under investigation. Each question was measured by five-point Likert scale. For instance, "1" denoted as strongly disagreed, "2" denoted as disagree, "3" denoted as neutral, "4" denoted as agree and "5" denoted as strongly agree. Statements that will be negatively stated were reversed coded during the analysis, such as the items for perceived cost. These negative worded items are important in reducing the response bias since the

respondents have to read the items carefully in case they are phrased the other way round (Bamfield, 2004).

2.6   Chapter Summary and Research Gap

The above review literature have discussed several crime activities that might be related to poor performance of SE. for instance, (Bamfield, 2004) asserts that the robbery of small unit-value objects, such as making personal long distance phone calls at the enterprise's expense is robbery to the company. In the UK alone, where break-ins and burglaries are the two most common crimes, the economy loses an estimated £19 billion - approximately £5000 per business. Taylor, (2001) Moorthy (2009) are stock replacement costs, time and diversion of resources from business activities, decreased employee morale, poor culture for productivity, and opportunity cost of missed sales. However, most of these studies originate from developed countries like USA, UK, and Germany among others, and little attention has been given to effect of crime in performance of SE.

CHAPTER THREE

MATERIALS AND METHODS

3.1 Introduction

This chapter describes the research design and research methodology to be employed in this study. This sets out in subheadings containing research design, study sites, target population, sampling of the study, data collection instruments and procedures and the data analysis and the presentation method to be employed.

3.2 Research Design

The research design for this study was survey. Survey is ideal because it facilitates the collection of a lot of data and can be applied on a sample of the population which can be generalized.

3.3 Target Population

The target population is the entire small enterprises in Eldoret town. This town was found appropriate for providing a focal point for the study of the effects of crime on Small Enterprises. There are more than 2000 small enterprises which are formally registered with Eldoret municipal council. This estimate of small enterprises formed the population for this study taking the head of the business as the respondent.

3.4 Sampling Size and Sampling Design

3.4.1 Sampling size determination

The sample size was determined basing on the formula by Hinkin (1995), an ideal sample size should have an item-to-response ratios ranged from as low as 1:4 to as high as 1:10 for each set of scales to be factor analyzed. In this research, there were

30 items to be measured; hence sample size from 120 to 300 respondents would be sufficient for factor analysis. In this study 200 respondents was considered ideal.

3.4.2 Sampling techniques

Purposive sampling was used to select the sample of the study. This is a non-probability technique which according to Zikmund (1991) is 'sampling techniques in which units of sample are selected in on the basis of personal judgment or convenience; the probability of any member of the population is unknown'. Judgemental or purposive sampling is defined by Dillon (2000) as selection of respondents because it is expected that they are representative of the population of interest or meet specific needs of the research study. This design was chosen because of the large number of Small Enterprises in Eldoret central business district to be covered as well as identifying and locating the respondents. This was necessary considering the prevailing time and cost constraints.

Questionnaires are the instruments of data collection. The instruments were designed to collect data in all research variables according to the study objective and the research questions to be tested. In developing the questionnaire item, close-ended formats of items was used. For the purpose of this study, a questionnaire was designed and developed to obtain views and opinions of respondents in different streets of Eldoret town central business district on the effects of crime on their businesses.

3.5 Data Collection

3.5.1 Sources of Data

Data collected was primary data and follow-up was conducted by the researcher to ensure the questionnaires were filled in accordance with the research objectives. Primary data was collected because the research is exploratory and data can be easily obtained.

3.5.2 Data collection instruments

The main data collection instrument was the questionnaires. It contained closed ended questions. This provided standardized data and the opinions of the respondents used the questionnaires as a tool for data collection and the questionnaires consisted of only closed ended questions because they are easier to administer and analyze since each item is followed by an alternative answer. A self-administered questionnaire should be accompanied by a covering letter, which explains the purpose of the study and assures respondents strict confidentiality. Closed ended Offer the respondent a list of responses, any of which they can choose. The list of responses must be defined clearly and meaningfully.

3.6 Research Procedures

The researcher distributed the questionnaires to respondents basing on the sampling frame obtained from the Eldoret Municipal council. The respondents were identified and assigned random numbers that constituted the basis for participation in the study. The questionnaires were collected by the researcher from the respondents and checked if they had been filled properly.

3.7 Validity and Reliability of Research Instruments

3.7.1 Validity

Validity is the ability of an instrument to measure a concept under study and to be able to measure it accurately so that any observed differences are true and not the result of random or constant errors. Instrument validity determines whether an instrument accurately measures that which it is supposed to measure (Brink, 2006:159). Face validity will be ensured by: pretesting of the data collection tool and scrutiny of the instruments by the research supervisor. Content validity will be ensured by doing a thorough literature review study on which the content of the questionnaire will be based.

External validity of a study is said to exist when the results obtained in a study can be generalized to other people and other settings. Generalization is made considering the degree of confidence with which the sample findings can be conferred on the population and whether similar findings would be obtained at other times and places. External validity may be affected in cases where subjects behave in an unnatural way due to the fact that they are aware that they are being observed by the researcher (Brink *et. al*., 2006).

The researcher will the validity by carrying out construct validity which measures "the degree to which a scale measures what it intends to measure" (Garver and Mentzer, 1999) and it is assessed by factor analysis in this research. In order to assess the construct validity, the items will be examined by principal components extraction with varimax rotation. The factor loading for each item, any item that fails to meet the criteria of having a factor loading value of greater than 0.5 will be dropped from the study (Liao, 2007).

The researcher will meet the respondents for the first time during data collection and merely explain the purpose of the study to the respondents. The relationship will be strictly formal; therefore researcher effect will be very minimal. This will be important because if respondents are familiar with the researcher, they may not provide truthful information and results may not be valid.

3.7.2 Reliability

A reliable criterion is stable or reproducible. Reliability is a measure of how consistent the results from a test are (Kombo and Tromp, 2006). Reliability is quantified if you administer a test to a subject twice and get the same score on the second administration as on the first (Kombo and Tromp, 2006). For the reliability of the instrument a pilot study was done together with pre-test. The examiner's manual or technical manual for most tests had information on the validity of the test (Kombo and Tromp 2006).

The researcher will use Cronbach's alpha method of computing reliability of the research instruments by computing correlations between values. Cronbach's alpha splits all the questions on your instrument every possible way and computes correlation values for them all. In the end, your computer output generates one number for Cronbach's alpha and just like a correlation coefficient; the closer it is to one, the higher the reliability estimate of your instrument. A value of 0.7 or greater indicated that the questionnaires are reliable and therefore can be used for data collection (Nunnally, 1978).

The researcher will conduct a pilot study in order in to determine the reliability of the questionnaire and to assess if the questionnaire can yield the data that the study aims

at getting. This study will conducted in Eldoret but the results from that study will not be include in the main study.

3.8 Data Analysis

This section deals with organizing, analyzing, interpreting and presenting the collected data. It entailed the separation of data into constitute parts for examination. In data analysis the researcher drew conclusion concerning the relationship and difference, which were found in the research results.

The study used quantitative method to analyze data. The information was codified and entered into a spread sheet and analyzed using SPSS (statistical package for social sciences). Quantitative data was analyzed using descriptive statistical method, the statistical tools such as measures of central tendency such as mean, mode and standard deviation was used.

3.8.1 Measurement of variables

Both dependent and independent variables are based on multiple-item constructs, and will be measured through likert-type scales.

3.9 Model Specification

The regression model used in this study was given as;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where,

Y = performance of SEs

α = performance of SEs' without its determinants.

$\beta_1\dots\ \beta_3$ = the slope which represents the degree with which performance of SE's change as the independent variable change by one unit variables.

X_1 = Robbery

X_2 = Burglary

X_3 = Employee infidelity

ε = error term

3.10 Ethical Considerations

Ethical considerations are the principles that a researcher should abide by when conducting a research; every organization has rules governing their policy and practice that may require prior permission before undertaking research. This thesis was purely academic and the university gave authority for the researcher to carry out research. However the researcher got permission from the management of the enterprises to carry out this research. The researcher assured the respondents of utmost confidentiality and anonymity. All information shall be kept confidential thus none shall be disseminated to anybody.

CHAPTER FOUR

RESULTS

4.1   Introduction

This chapter presents results of this study based on the formulated objectives and hypotheses as presented in chapter one. The chapter analyzes the variables involved in the study and estimate the conceptual model described in chapter two. In the first two sections data description and analysis is presented. The model estimation and the analysis of the results are then interpreted. Finally concluding remarks are made. Data description involved a discussion on the sources of data and definitions of the dependent and the independent variables. Data collected was quantitatively analyzed and presented in tables in the first two sections data description and analysis is presented. The model estimation and the analysis of the results are then interpreted. Hypothesis are also tested with the study accepting or failing to accept them depending to the p values and t test value.

4.2 Demographic Information

Demographic information is presented in Table 4.1. It shows the characteristics of the elements in the sample size and thus it helps the researcher understand the general view of his respondents based on the research objectives. As such the researcher sought to establish the general information of the respondents, which forms the basis under which the interpretations are made. The respondents were selected from the small enterprises. Among the characteristics regarding themselves included; gender, age, highest level of education and occupation. Demographic factor analyzed the age of the entrepreneurs. This information was necessary to enable the researcher to obtain information on whether the respondents were young or old.

Table 4. 1: Demographic Information

		Frequency	Percent
Age Bracket	Below 30	99	52.4
	31-40	84	44.4
	41-50	6	3.2
	Total	189	100
Marital Status	Married	109	57.7
	Single	80	42.3
	Total	189	100
Highest Level Of Education	Doctorate/Masters	21	11.1
	Bachelor	71	37.6
	Diploma	68	36
	High School	29	15.3
	Total	189	100

Source; (Survey Data, 2013)

The results show that the majority (52.4%) of the small entrepreneurs were within the age category of 21-30 whilst forty four point four per cent (44.4%) were in the 31-40 age category. While (3.2%) of the were in the 41-50 age category. This result illustrated that most of the working population are generally active between the ages of 18-50. Demographic factor 2 shows that fifty seven point seven per cent (57.7%) are married whereas forty two point three per cent (42.3%) are single.

Demographic factor 3 examines the educational qualifications of the entrepreneurs. The information is necessary to enable the researcher to know the respondents educational level. Information on the educational qualifications of the respondents is statistically shown in Table 4.1.

The results show that fifteen point three per cent (15.3%) of the respondents had a high school educational level, thirty six per cent (36%) had diploma, thirty seven point six per cent (37.6%) have a Bachelor's Degree and eleven point one percent had Master's or a Doctorate degree. The findings suggests that small entrepreneurs in the study area were well educated.

4.3 SEs General Information

The study major objective was to investigate the managerial competencies on customer satisfaction in SEs. The researcher therefore, found it paramount to investigate the SEs characteristics, some of the characteristics investigated were; the years the company has been established, the number of employees and the type of small enterprise. The findings in SE Characteristics show that approximately forty per cent of the SEs has been established in less than five years whereas approximately thirty five per cent has been formed between 5-10 years. Also six point three per cent (6.3%) has been formed for over twenty years as shown in Table 4.2.

In the same Table 4.2 results showed that SEs with few than five employees were thirty six per cent (36%), those with between 10-20 employees were forty two point three per cent (42.3%) whereas those with between 21-50 employees were three per cent (3%). Those with 51-100 were eighteen point five per cent (18.5%).

Findings in Table 4.2 indicated that approximately twenty seven per cent (27%) are involved in Hardware/Electronics whilst approximately thirteen per cent (13%) are in ICT. Other products manufactured are clothing six point three per cent (6.3%) and salon/barbershop approximately five per cent (5%).

Table 4. 2: Small Enterprises Characteristics

Aspects		Frequency	Percent
Years Has Company Been Established	less than 5 yrs	75	39.7
	5-10years	66	34.9
	11-15yrs	16	8.5
	16-20yrs	20	10.6
	above 20yrs	12	6.3
	Total	189	100
Number of Employees	fewer than 5	68	36
	10-20	80	42.3
	21-50	6	3.2
	51-100	35	18.5
	Total	189	100
Type of Your Small Enterprise	Stationery	8	4.2
	Chemist	2	1.1
	Garage	3	1.6
	school materials & uniforms	18	9.5
	ICT	24	12.7
	Hardware/Electronics	50	26.5
	Animal feeds	9	4.8
	gift shop	4	2.1
	Clothing Shop	12	6.3
	Salon/ Barbershop	9	4.8
	Photo studio	2	1.1
	bar & Restaurant	9	4.8
	House Materials shop	6	3.2
	Cosmetic Shop/Boutique	18	9.5
	Real Estate Developers	10	5.3
	Petrol Station	1	0.5

Source; (Survey Data, 2013)

4.4 Performance

Findings on SE performance shows that the enterprise has increased their production capacity by (mean=4.38) which confirms that the enterprise produces quality products and services for their customers, the enterprise has also experienced an increase in its sales volume by (mean=4.24), diversified its production by (mean= 3.93) and the enterprise has been able to add its asset for the last 3 years by (mean= 4.06). In overall the respondents agree on effective performance of the enterprises (mean 4.153).with standard deviation 0.8738 less than mean and skewness -1.08.

Table 4.3: Performance of SE

Statement	Mean	Std. Deviation	Skewness	Kurtosis
The enterprise has increased it production capacity	4.38	0.773	-1.881	5.735
The enterprises has experienced increase in its sales volume	4.24	0.925	-1.197	1.348
The enterprise has diversified it productions	3.93	1.251	-0.924	-0.243
The enterprises has been able to add its asset for the last 3 years	4.06	1.161	-1.136	0.316
Performance	4.153	0.8738	-1.08	1.643

Source; (Survey Data, 2013)

4.4.1 Robbery Activities in Small Enterprises

On findings on Robbery activities in Table 4.3, property lost through robbery in small enterprises (mean =3.35), robbery deterring 24hrs operation was found to be (mean=3.56), it was also found that robbery has scared away customers from coming to the enterprise during late hours (mean=3.52).Not only did robbery scare customers from coming into the enterprise during late hours but also suppliers (mean =3.41).

The findings also shows several robbers attack (mean=2.71). Also, stay at home as a result of injury by robbers was noted (mean=2.66). Furthermore, lots of time has been wasted following a robbery case reported (mean=3.24) and installed external CCTV for robbery surveillance (mean=2.35).

In general the small enterprises had moderate levels of Robbery Activities (mean=3.1019>standard deviation=1.10572)

Table 4.4: Robbery Activities in Small Enterprise

Statement	Mean	Std. Deviation	Skewness	Kurtosis
Most of my property have been lost through robbery	3.35	1.39	-0.176	-1.291
Robbery deter me from operating 24hrs	3.56	1.485	-0.631	-1.015
Robbery has scared away my customers from coming to my enterprise during late hours	3.52	1.535	-0.473	-1.247
Robbery has scared away my suppliers from coming to my enterprise during late hours	3.41	1.688	-0.352	-1.627
Robbers have attacked me severally	2.71	1.396	0.297	-1.105
Robbers injured me causing me to stay home leaving the enterprise under someone else	2.66	1.313	0.263	-0.889
I have wasted lots of time following a police robbery case I had reported	3.24	1.298	-0.329	-0.872
I have installed external CCTV for robbery surveillance	2.35	1.684	0.738	-1.22
Robbery	3.1019	1.10572	-0.205	-0.944

Source; (Survey Data, 2013)

4.4.2 Burglary Activities in Small Enterprise

Further, the Burglary Activities in Small Enterprises were inquired from the respondents. From the study results small enterprise was compelled to hire security guard due to rampant increase of burglary (mean=2.88) and spent a lot of money offering bribes to burglarized not to target their enterprise (mean=2.58). Also the stores have been eliminated due to burglary (mean=2.72). The business cannot operate without owners response due to burglary (mean=3). Not only does the business not operate without owners presence but also burglars try to break into the enterprise (mean=3.14). The respondents premise has been broken into severally (mean=2.9). In general, the small enterprise had moderate levels of burglary (mean=2.8716>standard deviation 1.07688).

Table 4.5: Burglary Activities in Small Enterprise

Statement	Mean	Std. Deviation	Skewness	Kurtosis
Due to rampant increase of burglary am compelled to hire security guard	2.88	1.424	0.219	-1.24
I have a lot of money offering bribes to burglarized not to target my enterprise	2.58	1.242	0.294	-0.661
Most stores closed down due to burglary	2.72	1.345	0.246	-0.964
My business cannot operate without by presence due to burglary	3	1.185	-0.039	-0.575
Burglary activities in small enterprises sector -burglars always try to break in my enterprise	3.14	1.453	-0.01	-1.415
My premises have been broken into weekly	2.9	1.268	0.117	-0.974
Burglary	2.8716	1.07688	-0.117	-0.606

Source; (Survey Data, 2013)

4.4.3 Employee infidelity

On findings on Employee Infidelity in the small enter-price sector, employees were found to be stealing from the enterprise (mean=3.17) and installed CCTCV cameras found to prevent further loss through employee theft (mean =2.98). Also the respondents are compelled to hire and fire new employees (mean=3.6). It is also evident that majority of the employees cannot be trusted (mean=3.68). Not only are employees untrustworthy but also they conspired in the enterprise with customers to steal from the enterprise (3.52). Most of the employees spend a lot of time pretending they are working while they are not (mean=3.49). In overall Employee infidelity in the small enter-price sector (mean of 3.49, standard deviation of 1.347, skewness -0.557 and kurtosis of -0.453).

Table 4.6 : Employee Infidelity in the Small Enter-Price Sector

Statement	Mean	Std. Deviation	Skewness	Kurtosis
Employees have been stealing from the enterprise	3.17	1.548	-0.095	-1.497
I have installed CCTV cameras to prevent further loss through employees theft	2.98	1.586	-0.03	-1.505
Am compelled to fire and hire new employees very often	3.6	1.454	-0.501	-1.194
I cannot trust majority of my employees	3.68	1.386	-0.784	-0.631
Employees conspire in the enterprise with customers to steal from the enterprise	3.52	1.416	-0.52	-0.988
Most of the employees spend a lot of time pretending they are working while	3.49	1.347	-0.557	-0.657

they are not

Infidelity	3.4085	1.15801	-0.545	-0.453

Source; (Survey Data, 2013)

4.5 Correlation Results

Regarding strength of the linear relationship between dependent variable (Performance of SEs), and independents variables (Robbery, Burglary, Employee infidelity). Correlation findings in table 4.7 which showed the association between two interval-ratio variables reported that robbery was not significant correlated with performance of SEs (r=0.572). Robbery had 40.1% positive association with performance of SEs (r=0.401).Burglary was correlated with performance of SEs (r=0.310). To deduce further from the correlation results none of the variables had high interrelationship over 0.80, thus, there was no multicollinearity. Multicollinearity is tested further in Table 4.10 using variance inflation factor.

Table 4.7: Correlation results

	Performance of SEs	Robbery	Burglary	Employee infidelity
Performance of SEs	1			
	0			
Robbery	-.401**	1		
	-(0.000)	0		
Burglary	.310**	.176*	1	
	(0.000)	(0.025)	0	
Employee infidelity	-.572**	.462**	.250**	1
	(0.000)	(0.000)	(0.001)	0

Source; (Survey Data, 2013)

*   Correlation significant at 0.05

** Correlation significant at 0.01

4.6 Regression Results

4.6.1 Coefficient of Determination

Table 4.8 illustrates the model summary of multiple regression model, the results showed that all the three predictors (robbery, burglary and employee infidelity) explained 50.8 per cent variation of Performance of SEs, this showed that using the three tested variables performance of SEs can only be predicted by 50.8% (R squared =0.508). Nevertheless, if another variables is added they is likely hood of the predicted value to increase with 1.4% (adjusted R squared = 0.452). Durbin Watson test indicated that there was no autocorrelation since it fell between the recommended thumb rule of 1 to 2.

Table 4.8: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
				2.1
.712	0.508	0.495	0.10285	

Predictors: (Constant), Burglary, Robbery, Employee Infidelity

Dependent Variable: performance of Small Enterprises

Source; (Survey Data, 2013)

4.6.2 Analysis of Variance for Testing Goodness of Fit

Study findings in ANOVA Table 4.9 indicated that the above discussed variation was significant as evidence of F ratio of 40.452 with p value 0.000 <0.05 (level of significance). Thus, the model was fit to predict performance of SEs using robbery, burglary and employee infidelity. Statically, we can interpret that none of the independents variables had 0 coefficients seen in Table 4.9

Table 4.9: ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1.712	4	0.428	40.452	.000
Residual	1.661	157	0.011		
Total	**3.372**	**161**			

Dependent Variable: performance of SEs
Predictors: (Constant), Robbery, Burglary ,Employee infidelity

Source; (Survey Data, 2013)

4.6.3 Hypothesis Testing

Table 4.10 showed that none of the VIF value exceeded the thumb value of 4 implying absence of multicolinearity which is one of the assumptions of multiple regression model.

Findings in Table 4.10 showed that hypothesis one which stated that robbery had no significant effect on performance of SEs. It was rejected since coefficient estimates ($\beta_1 = 0.24$, p value =0.000) do not concur with the hypothesis thus; robbery had significant effect on performance of Small Enterprises. Hence increase in robbery would lead to decline in performance of the Small Enterprises.

Hypothesis 2 stated that burglary had no significant effect on performance of Small Enterprises (SEs). However, hypothesis 2 was rejected as shown in table 4.10 results where the coefficient estimates for burglary was $\beta_2 = 0.201$, p value =0.001).Therefore, burglary had significant effect on performance of SEs. Thus, increase in burglary would result to a significant decline in performance of SEs.

Finally, study findings in Table 4.10 provided enough evidence to rejects hypothesis 3 that employee infidelity had no significant effect on performance of SEs ($\beta_3 = 0.421$,

p value =0.000) and conclude that employee infidelity had significant effect on performance of SEs. This implies that the higher the level of employee infidelity, the higher the decline in SE performance.

Table 4.10: Coefficients of Estimates

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	2.414	0.159		15.223	0.000		
Robbery	-0.095	-0.023	0.24	-4.109	0.000	0.916	1.091
Burglary	-0.066	-0.019	0.201	-3.554	0.001	0.979	1.021
Employee infidelity	-0.203	-0.028	0.421	-7.206	0.000	0.921	1.086

Dependent Variable: performance of SEs

Source; (Survey Data, 2013

CHAPTER FIVE

DISCUSSION

5.1 Introduction

The chapter presents the discussion of the key findings of the study based on the respective research objectives; Robbery Activities, Burglary activities and Employee Infidelity in the Small enterprise Sector.

5.2 Summary of Findings

Findings on age affirmed that majority (52%) of the respondents were below 30 years and they were reliable to give sufficient information desired by the researcher. In addition, findings showed that most of the respondents were married as compared to those who were single. Most of the respondents were well educated with a high percentage of them having an undergraduate degree followed by those with Diploma affirming that there were moderate levels of literacy.

Furthermore, SEs characteristics were investigated. Result findings affirmed that most of the SEs had been formed between 5-10 years followed closely by those formed for over twenty years. The findings in SE Characteristics show that most of the SEs have been established in less than five years and the least number having been established for over 20 years. Findings also indicated that majority of SEs are involved in Hardware/Electronics whilst followed closely by those engaging in ICT. Other products manufactured by SEs are clothing s and salon and barbershop, gift shop, Photo studio, House Materials shop and Petrol station. As stipulated by the hypothesis, robbery activities have a significant effect to SE performance. This is in

agreement with findings by police crime report of 2011; about 2500 cases were reported throughout the country.

5.3 Robbery and Small Enterprise Performance

The findings with respect to robbery activities and the performance of small enterprises, indicates that goods were stolen or damage to property and disruption to the business operations which contributes to lost hours, loss of necessary equipment and sometimes temporary closure of the business which impacts negatively on the small enterprise performance. This finding concurs with that of Baumol (2005) on the issues of loss of millions of shillings in acts of robbery to enterprises. Small enterprises loose hours of operation because, of robbery as they cannot operate late at night or twenty four hours. Entrepreneurs fear for their businesses being attacked.

Here, customers are also scared away because they have been robbed before and cannot risk being victims again. Reporting robbery again is time consuming in that the respondents see that they could have engaged in the enterprise. The results also show that robbery had impacted negatively on the property ownership in the small enterprise sector. Suppliers also fear these attacks as they are not ready to lose their goods or suppliers. Robbery also caused injuries to entrepreneurs making it difficult for them to come to work this eventually resulted to loses. This they said amounted to big losses in their enterprises. Due to robbers attacking the small enterprise owners and injuring them, they are forced to stay at home leaving the businesses to workers who mismanage this supports the findings of Garber and walkup (2004); Bamfield (2004); Tonglet and Bamfield (2007); Scott (2007) .

5.4 Burglary and small enterprise performance

Burglary activities have a negative impact on small enterprises performance. This is in agreement with the Kenya police report that burglary. This has led to a deteriorating performance by the Small Enterprises. This is because the small enterprises incurred security costs, which comprised of a significant proportion of turnover for the small enterprises. Entrepreneurs are forced to employ security guards and install alarms to protect their businesses. Small enterprises must also contend with the opportunity cost of crime which may limit SE growth. This argument concurs with Hagan and Palloni (1990) which asserts that burglary causes loss in small enterprises. As a consequence burglary has reduced the business operating hours as a strategy to reduce the risk in which in the end impacts negatively on performance and even exit this was supports the findings of John (2000).

The study found that breakings in to small enterprises at night were regular in most of the small enterprises in the CBD. The regular breakings in had caused huge loses to small enterprises hence affecting enterprise performance.

5.5 Employee Infidelity and small enterprise performance

Employee Infidelity had an effect on the performance of small enterprises in the CBD of Eldoret in various ways. The findings show that Small enterprises are more vulnerable to fraud by employees as compared to big firms this eventuality leads to financial losses which concurs with Smith, (2007). Theft by employee was found out to be rampant and is very much experienced in the Small enterprises, this supports the assertion by Murphy (2000). Those SEs that employed the use of CCTV cameras

within their premises are seen to have prevented further loss through theft by employees. This however, incurs the small entrepreneur in further costs of putting up these CCTV cameras. The study also established that employees conspire with customers to steal from the small enterprises. This is a major blow to the small entrepreneurs in that the people the depended on turned to be the ones stealing from them and yet the trust had been bestowed on them. It was also found out that employees in the small enterprises pretended to be working yet they were not, translating to theft of working hours. All this eventually saw small entrepreneurs being forced to fire the employees quite often and hire others, which is cost incurring. This gives a negative impact in the performance of small enterprises.

In general, robbery, burglary and employee infidelity are major causes that lead to poor performance of small enterprises in Eldoret town central business district according to the findings of the research which support. It was found out that crime has a significant effect in the performance of small enterprises as it negatively hinders the growth of the small enterprises.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This study was able to get the effects of crime on the performance of Small enterprises in Eldoret town Central Business District. The research was therefore able to make conclusions and recommendations in the next step.

6.2 Conclusions

From the study findings it was deduced that robbery activities have a pivotal role in small enterprises performance. The findings showed that robbery activities are a major cause of financial loss. There is also disruption to business which contributes to lost hours, loss of necessary equipment and temporary closure of the business which impacts negatively on the small enterprise performance. Therefore, SE performance will improve if there is a reduction in robbery activities.

Burglary showed that it had great negative impact on the performance of small enterprises. The study also provides precedent evidence that burglary activities have led to a decline in SE performance. This is because the small enterprises incurred security costs, which comprised of a significant proportion of turnover for the small enterprises. Specifically, firms that have been experiencing constant burglary, organizational performance is likely to decline. Because of burglary, the small enterprises went into huge loses.

Finally, the study concludes that employee infidelity will lead to a decline in SE performance. This way SEs will be able to meet their financial obligations in both favorable and unfavorable economic conditions. This will lead to a significant

improvement in SE performance. It was evident that employees collude to still from the enterprises. This showed that employees contributed to huge lose and yet they should be asset to the enterprises. Employees also steal from the small entrepreneurs through working hours in that, they do not work as expected instead they pretend to be working.

6.3 Recommendations

From the study findings it was revealed that robbery activities ave an impact on performance. The findings suggest that security measures should be put in place in order to avoid financial loss. Therefore procedures and guidelines on dealing with burglary activities should be passed from top management to all those involved in maintaining security in order to impact positively on SE performance.

The study finding also reveals that burglary activities have an immense impact on SE performance. It is therefore necessary for SEs to come up with clearly established ways of dealing with burglary activities so that there is financial viability and reduced risk of loss through burglary.

Finally employee infidelity should be stopped in order to improve SE performance. For instance SEs should have codes of conduct for employees to enhance efficiency, time saving and employee infidelity. Adamant measures to counter employee infidelity should always be in place in SEs to enhance performance. It is therefore prudent for small enterprises to ensure that there is reduced occurrence of employee infidelity in order to avoid eventualities.

6.4 Further Research recommendations

The limitation of this study is small enterprises in Eldoret town, Uasin Gishu County. large enterprises in Kenya have not been included. Thus for future research, researchers should try to include large scale entrepreneurs and effect of crime on them. Further the study should also put into consideration the influence of economic and political affiliation on the relationship between crime and Small market enterprise performance.

This study was limited to three independent variables that is robbery, burglary and employee infidelity, for further research, researchers should look at others criminal activities against small enterprises.

Finally, further research is recommended to be done on the factors that small entrepreneurs should enhance to assist in controlling criminal activities against their enterprises.

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APPENDIX I: QUESTIONNAIRE

SECTION A

THE EFFECT OF CRIME ON THE PERFORMANCE OF SES IN ELDORET TOWN

Dear Respondent,

I am a student in the school of business and management science University of Eldoret and I am conducting a study on the effects of crime in the performance of SEs in Eldoret town CBD. Through your participation, I eventually hope to understand how crime affects the performance of SEs in Eldoret town.

Enclosed with this letter is a brief questionnaire that asks a variety of questions about your experience toward crime on your business. I am asking you to look over the questionnaire and, if you choose to do so, complete the questionnaire and send it back to me.

I hope you will take a sometime to complete this questionnaire. Without the help of people like you, research on agency banking could not be conducted. Your participation is voluntary and there is no penalty if you do not participate.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me on 0722 942 650 or email; jkiprotich2003@yahoo.com . This study was approved by the University of Eldoret, School of Business and Management Science Board on 8th November, 2012.

Sincerely,

Justus Kiprotich,
Post Graduate Student,
Department Of Business,
University Of Eldoret.

Section A: Background Information of the Respondents

Please Tick (√) As Appropriate

1. Gender

   Male   ( )

   Female   ( )

2. What is your age bracket?
   Below 30   ( )
   31-40   ( )
   41-50   ( )
   51-60   ( )
   Above 60   ( )
3. Indicate your marital status:
   Married   ( )
   Single   ( )
4. Indicate your highest education level.
   Doctorate/Masters   ( )
   Bachelor   ( )
   Diploma   ( )
   High school   ( )
   Standard 8 and below   ( )
5. How long has your company been established?
   Less than 5 years   ( )
   5-10 years   ( )
   11-15 years   ( )
   16-20years   ( )
   above 20years   ( )
6. How many employees does your company have?
   Fewer than 5   ( )
   6-20   ( )
   21-50   ( )
   51-100   ( )
   100-200   ( )
   More than 200   ( )
7. Specify the type of your SE
   ………………………………………………………………………………………
   ………………………………………………………………………………………

SECTION B   Performance of Small Enterprises

In this section the study is interested in your view on how your firm has performed in a number of areas. The study wants to know your performance in relation to your expectation and in relation to colleagues in your principal industry. Please read the following statements carefully and tick the appropriate category. The categories are:

5-Strongly Agree, 4-Agree, 3-Undecided, 2-Disagree, 1-Strongly Disagrees

	5	4	3	2	1
The Enterprises has increased it production capacity					
The Enterprises has experienced increase in it sales volume					
The Enterprises has diversified it products					
The Enterprises has been able to add it asset for the last 3 years					

Section C; Robbery Activities in Small Enterprises Sector

On a scale of 1-5, how would rate crime in terms of the following? 1 = strongly disagree, 2= Disagree, 3= meaning neutral, 4 = Agree and 5 = strongly agree.

	Tick your responses in the box.	1	2	3	4	5
1	Most of my property have been lost through robbery					
2	Robbery deter me from operating 24 hours					
3	Robbery has scared away Customers from coming to my enterprise during late hours					
4	Robbery has scared away suppliers from coming to my enterprise during late hours					
5	Robbers have attacked me severally					
6	Robbers injured me causing me to stay home leaving the enterprise under someone else					
7	I have wasted lot of time following a police a robbery case i had reported					
8	I have installed external CCTV for robbery surveillance					

Section D: Burglary Activities in Small Enterprise Sector

	Tick your responses in the box.	Strongly disagree(1)3(N) Strongly agree (5)				
		1	2	3	4	5
1	Due to rampant increase of burglary am compelled to hire security guard					
2	I have lost a lot of money offering bribes to burglaries not to target my enterprise					
3	I have eliminated all the stores due to burglary					
4	My business cannot operate without by presence due to burglary					
5	Burglaries always try to break in my enterprise					
6	My premises have been broken into regularly					

Section E: Employee Infidelity in the Small Enterprise Sector

	Circle your responses.	Strongly disagree(1) 3(N) Strongly agree (5)				
		1	2	3	4	5
1	Employees have been stealing from the enterprise					
2	I have installed CCTV cameras to prevents further loss through employees thefts					
3	Am compelled to fire and hire new employees very often					
4	I cannot trust majority of my employees					
5	Employees conspire in the enterprise with customers to steal from the enterprises					
6	Most of the employees spend a lot of time pretending they are working while they are not.					

What challenges do you experience in addressing robberies, burglaries and employee infidelity?

Rank challenges that are faced by employees starting from the most common one

	List of challenges	Rank
1.	the police do not make a follow up to the cases reported to them against small enterprises	
2.	CCTV cameras are very expensive for the enterprise to install	
3.	Private security firms are not efficient for the enterprise security	
4.	Catching employees who steal from the enterprise is very hard	
5.	Stolen property in the enterprise are not recovered completely	

APPENDIX II: RESEARCH CLEARANCE PERMIT

CONDITIONS

1. You must report to the District Commissioner and the District Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit.
2. Government Officers will not be interviewed with-out prior appointment.
3. No questionnaire will be used unless it has been approved.
4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.
5. You are required to submit at least two(2)/four(4) bound copies of your final report for Kenyans and non-Kenyans respectively.
6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice

GPK6055t3mt10/2011

REPUBLIC OF KENYA

RESEARCH CLEARANCE PERMIT

(CONDITIONS–see back page)

PAGE 2

THIS IS TO CERTIFY THAT:
Prof./Dr./Mr./Mrs./Miss/Institution
Justus Kipkotich
of (Address) Chepkoilel University College
P.O. Box 1125-30100, Eldoret
has been permitted to conduct research in

Location
Uasin Gishu District
Rift Valley Province

on the topic: Effects of crime on the performance of Small and Medium Enterprises in Eldoret Town CBD

for a period ending: 31ˢᵗ December, 2013

PAGE 3

Research Permit No. *NCST/RCD/14/013/144*
Date of issue   *13ᵗʰ March, 2013*
Fee received   *KSH. 1,000*

Applicant's
Signature

Secretary
National Council for
Science & Technology