

**MEDIATING ROLE OF MANAGEMENT PRACTICES IN THE RELATIONSHIP
BETWEEN FINANCIAL MOTIVATION AND POVERTY AMONG MICRO ENTERPRISE
OWNERS IN HOMA-BAY SUB-COUNTY, KENYA.**

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ABSTRACT

The purpose of this study was to investigate the mediating role of Management Practices in the relationship between Financial Motivation and Poverty among Micro Enterprise Owners (MEOs) in Homa-Bay Sub County, Kenya. MEOs in Homa- Bay Sub-County are reported to have a poverty level at 77.49% against the national average of 52%. This poverty level is high and alarming despite the Financial Motivation opportunities available to the Micro Enterprises (MEs). The study adopted survey research design. Population of the study comprised 1200 MEOs in Homa-Bay Sub County in the period 2010-2015. Stratified random sampling was done to get a sample size of 240 MEOs. Questionnaires were used to collect the primary data. The secondary data were obtained from the Homa Bay County Trade and Development Office. Data was analyzed by Confirmatory Factor Analysis and Structural Equation Modeling. Comparison of the models was done using regression weights and Model Fit indices. Findings revealed that Management Practices variable mediates the relationship between Financial Motivation and Poverty among the MEOs. The conclusion was that the mediating effect of Management Practices significantly improves the parsimony of the relationship between Financial Motivation and Poverty among the MEOs. It is recommended that any future studies involving the relationship between Financial Motivation and Poverty should incorporate Management Practices as mediator in that relationship. The study results will be of importance to policy makers, academicians, micro-credit practitioners, donors and MEOs.

Introduction

Financial Motivation is a term used to refer to the activity of provision of financial services to Micro Enterprise Owners who are excluded from the traditional financial system on account of their lower economic status (Cook et al 2001). The services take the form of Micro-Credit and Micro Saving. The concept lies in the joint liability of the clients. Normally groups of individuals form an association to apply for loans. Other members of the group approve loans to an individual within the group, and therefore the whole group is jointly responsible for the loan's repayment (Ferdous, 2007).

Studies by (Ferdous, 2007, Cook et al 2001, Shabir & Gregorio 1996; Benzing, Chu & Kara 2009; Kabeer 2004) indicate that Financial Motivation has enabled the Micro Enterprise Owners in the developing countries to enjoy banking services that was not possible earlier, due to lack of collateral security, steady employment or verifiable credit history. Moreover, studies by (Kuratko, 2003, Cook et al 2001 Ferdous, 2007 Benzing, Chu & Kara 2009) spell out that Micro credit programmes like FINCA, ACCION and Grameen Bank in rural Bangladesh have made remarkable success in availing credit to financially motivate the poor entrepreneurs in Asia and Latin America, hence changing their lives and alleviating poverty.

Empirical studies (World Bank, 2005; Ghatak, 2010; Zuzana & Matej, 2007; Benzing, Chu & Kara, 2009; Kabeer, 2004; Karlan & Zinman 2010; Laderchi, 2008; Armendariz & Morduch, 2007) give mixed results on the mediating role of Management Practices in the relationship between Financial Motivation and Poverty among the MEOs. On the one hand, the studies by (Zuzana and Matej 2007; Shabir and Gregorio 1996; Benzing, Chu and Kara 2009; Kabeer 2004; Karlan and Zinman 2010) reveal that the rate of failure of the Micro Enterprises in the developing countries is always high due to lack of management skills and knowledge on the side of the MEOs and this leads to poverty among them.

Coy, Shipley, Omer and Rao (2007) argue that the impact of MEs can be felt in the world's economies only if they can be managed effectively. Starting and operating Micro Enterprises include possibilities of success as well as failure and because of their small size; a simple management mistake is likely to lead to the collapse of a Micro Enterprise leading to Poverty among the MEOs (Longenecker 2006; Coy, Shipley and Rao 2007).

The studies by (Zuzana and Matej 2007; Benzing, Chu and Kara 2009) support the Management Practice of the micro-credit institutions that use an integrated approach in administering the loans to MEOs where in the group meetings, issues of health, hygiene, sanitation, reproductive health, agriculture, literacy and religion are disseminated. They argue that this management practice approach is geared towards a holistic development of the participants. In North East Brazil for example, the UNDP has been supporting a methodology called participatory management for entrepreneurship development. The projects train producers in business management, technology and also establish alliances between different producers (Benzing, Chu and Kara 2009; Kabeer

2004). A study by Kabeer (2004) reveal that when MEOs have access to Micro-Credit services or Financial Motivation their role in decision-making and business operations are always enhanced.

On the other hand, the studies by (Laderchi 2008, Armendariz and Morduch 2007, Cameron 2005 and Kuratko, 2003) put it that even when the poor entrepreneurs enjoy access to financial services, their empowerment as a result of those services is not guaranteed. Studies by (Kabeer 2004, Laderchi 2008; Karlan and Zinman 2010) put it that successful businesses require people with some entrepreneurial ability and not Financial Motivation alone.

Studies by (Karlan and Zinman 2010, Cameron 2005, Kuratko, 2003) point out that Micro-Credit or Financial Motivation should not be treated as a remedy, but as a drug that can be prescribed to Micro Enterprises. The studies reveal that if used improperly, Financial Motivation among MEOs, can harm business operations and have unintended negative consequences. The studies by (Karlan and Zinman 2010, Cameron 2005 and Kuratko, 2003) put it that even when the poor MEOs have access to financial services, their empowerment as a result of those services is not guaranteed.

It has been realized that the majority of Micro-Credit clients dislike the Management Practices where weekly meetings are held because such meetings are considered to be time consuming. Group guarantee is also unpopular, as the poor borrowers find it difficult to take into account the behaviour of others who cannot promptly repay their borrowed loans. Available studies have revealed the significance of having participatory management for entrepreneurship development focusing on an approach geared towards a holistic development of the MEs. However, not many studies have investigated the mediating role of Management Practices in the relationship between Financial Motivation and Poverty among the MEOs.

Research Objective

The objective of the study was to investigate the mediating role of Management Practices in the relationship between Financial Motivation and Poverty among MEOs in Homa-Bay Sub County, Kenya.

Methodology

Research Design

This study adopted a survey research design. It was specifically intended to investigate the mediating role of Management Practices in the relationship between Financial Motivation and Poverty among Micro Enterprise Owners (MEOs) in Homa-Bay Sub County, Kenya. This design is appropriate for the study since it facilitates the collection of information from a sample of a population in order to describe their characteristics as they relate to the fact (Fraenkel & Wallen, 2006). Moreover, Nachmias & Nachmias, (2009) suggest that Surveys are cost-effective and exploratory enabling the researcher to make inferences.

Study Area

This study was carried out in Homa-Bay Sub County, Kenya. Homa-Bay Sub County borders Rachuonyo Sub County to the North and Rongo Sub County to the South. It also borders Suba Sub County to the West and Kisii South Sub County to the East. The Sub County has a small shoreline of approximately 16.2 km² to the North where it borders Lake Victoria. The Sub County covers an area of 1,169.9 km² including 30.0 km² of water surface. The Sub County is divided into six administrative divisions, namely, Rangwe, Asego, Riana, Ndhiwa, Kobama and Nyarongi. The Sub County has two parliamentary constituencies namely Rangwe and Ndhiwa constituencies. Rangwe and Asego Divisions make up Rangwe constituency while Ndhiwa, Riana, Kobama and Nyarongi Divisions form Ndhiwa constituency. The Sub County has 27 trading centres and 1200 registered Micro Enterprises.

Target Population,

The target population consisted of 1200 MEOs in Homa-Bay Sub County as per the records of the Homa-Bay County Strategic Plan 2010-2015. The business enterprises were categorized as wholesale, general retail, service and manufacturing. The MEOs were expected to be best placed to articulate issues in the study as they had the conceptual view of the enterprises (Elbana and Child, 2007), a view supported by Hambrick and Mason (1984) arguing that business strategy is shaped by perceptions and opinions of the business owners.

Sample Size

Stratified random sampling was done to select a sample size of 240 MEOs in the Sub County. Hair, et al. (2010) recommends a sample size of at least one hundred observations to achieve adequate power in structural equation modeling. It is generally accepted that the minimum sample size to ensure appropriate use of MLE is 100. Two hundred forty (240) valid observations remained in the data set for the variables after data cleaning exercise was conducted. This sample size proves sufficient for obtaining adequate power based on the Hair, et al (2010) recommendations.

Sampling Procedure

The target population was stratified into four different business categories and simple random procedure was employed using Yamane (1967) formula to get a sample size of 240 observations.

Business Categories

Whole sale	110
General retail	936
Service	98
Manufacturing	56
Total	1200

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{1200}{1 + 1200(0.05)^2}$$

$$n = \frac{1200}{4}$$

$$n = 300$$

$$n = \frac{300}{1 + \frac{300 - 1}{1200}}$$

$$n = \frac{300}{1.25}$$

$$n = 240$$

Where: n= Sample size

N= Population size

e = the level of precision

Data type and Collection Method

Sources of Data

To achieve the objectives of the study, both Primary and secondary data were collected. Primary data was collected using structured and unstructured questionnaires. Questionnaires were used since the study was concerned mainly with variables that could not be directly observed such as views, opinions, perceptions and feelings of the respondents. Such information is best collected through questionnaires (Jöreskog and Sörbom 1996). The target population was also largely literate and was unlikely to have difficulties responding to questionnaire items. The sample size also was large enough (240 MEOs in Homa-Bay Sub County). Given the time constraint, questionnaire was the ideal tool for collecting the primary data. Secondary data was obtained from the Homa Bay County Trade and Development Office.

Reliability Test for Data Collection Instruments

Reliability refers to the extent to which an experiment, test, or any measuring procedure yields the same results on repeated trials. Reliability test was aimed at determining consistency and stability of the data collection instruments. Since there is little published guidance concerning how large a pilot study should be (Melody & Herzog, 2008), pilot test was conducted on 9 of the population of 1200 MEOs randomly chosen from the four categories of business enterprises.

It was ideal to test the reliability of the instruments by administering them to the pilot survey respondents twice. However, it was difficult to do this when dealing with business enterprises spread in a wide area like in this study (Sekaran, 2000). Therefore to check the reliability of the instruments in this study, Cronbach's Alpha was used (Cronbach, 1951). Alpha coefficient ranges in value from 0 to 1. The higher the score the more reliable the generated scale is. According to suggestions by Hair et al (2010), the study considered acceptable a reliability coefficient of 0.5 in Structural Equation Modelling. Successful reliability analysis was conducted for the scales measuring Financial Motivation, Poverty and Management Practices. Table 1 presents the results.

Table 1: Cronbach's Alpha Reliability Test Results for Financial Motivation and Poverty instruments

Reliability test results for the instruments	Cronbach's Alpha	Number of items
Financial Motivation	.507	18
Poverty	.886	3
Average	.697	21

Source: Pilot Survey Data (2014)

The Cronbach's Alpha Reliability Test Results for Financial Motivation and Poverty instruments were .507 and .886 respectively. The average Cronbach's Alpha result was .697. According to suggestions by Hair et al (2010), all the reliability coefficients were acceptable meaning that the Financial Motivation and Poverty instruments met the required standards hence they were reliable.

Validity Test for Data Collection Instrument

Validity implies the extent to which the constructs of the study or measures in the survey instrument represent the study concept and the degree to which it is free from subjective error (Nunally, 1978). Prior to data collection, the survey instrument was reviewed for content and construct validity. In the first stage, content validity was tested by use of ten purposively chosen expert researchers and practitioners in the field of the study. They were asked to assess the extent to which the indicators sufficiently addressed the subject area based on theoretical and practical considerations (Dillman, 1978). On average, these experts agreed that the instrument addressed the research intention. Construct validity was assessed by using experienced researchers who were asked to critique the questionnaire for certainty, clarity, and appropriateness of the items used (DeVellis, 1991). The questionnaires were also submitted to the supervisors to verify clarity and relevance. Simple, clear and precise words were used in the questionnaires for ease of communication. The instruments covered all the research questions and objectives of the study. To enhance clarity and analysis, scoring for positively stated statements (statements that support the construct under investigation) was developed in a numerically descending order (5, 4, 3, 2, 1) while scoring for negatively stated statements was developed in a numerically ascending order (1, 2, 3, 4, 5).

Methods of Data Analysis

Data collected through questionnaires were analyzed using Confirmatory Factor Analysis (CFA) and Structural Equation Modeling (SEM). Confirmatory Factor Analysis (CFA) was used to determine the factor loading of the measured variables onto their respective latent constructs. Structural Equation Modeling (SEM) was used to determine the structural relationship between the latent constructs namely, Financial Motivation and Poverty. Structural equation modeling (SEM) technique was used and Analysis of Moment Structures (AMOS) statistical software analyzed quantitative data for this study. Structural equation modeling (SEM) serves purposes similar to multiple regression, but in a more powerful way by taking into account the modeling of the regression weights, measurement errors and multiple latent independents (Garson, 2010).

Goodness of Fit Indices used in the Study

Goodness of fit Indices determine if the model being tested should be accepted or rejected. If the model is accepted, the researcher will then go on to interpret the path coefficients in the model. The choice of which goodness-of-fit measures to be used is a matter of argument among methodologists (Chou and Bentler, 1995). This study adopted relative chi-square (CMIN/DF), Comparative Fit Index (CFI), Tucker-Lewis Index (TLI) and Root Mean Square Error of Approximation (RMSEA). The Models were considered acceptable if: (1) the relative chi-square value was 3 or less but not less than 1 (Kline, 2005); (2) CFI was equal to or greater than 0.90 (Garson, 2010); (3) TLI was equal to or greater than 0.90 (Hu & Bentler, 1999); and (4) RMSEA was less than or equal to 0.08 (Schreiber et al, 2008).

Results and discussion

To investigate the mediating role of Management Practices in the relationship between Financial Motivation and Poverty among the MEOs, confirmatory factor analysis (CFA) for Management Practices was done in order to establish the factor loading of its measured variables. This was followed by SEM, which was used to determine the structural relationship between Financial Motivation and Poverty with Management Practices as the mediating variable.

Confirmatory factor analysis (CFA) for Management Practices as a latent construct and its observed variables are presented in Figure 1.

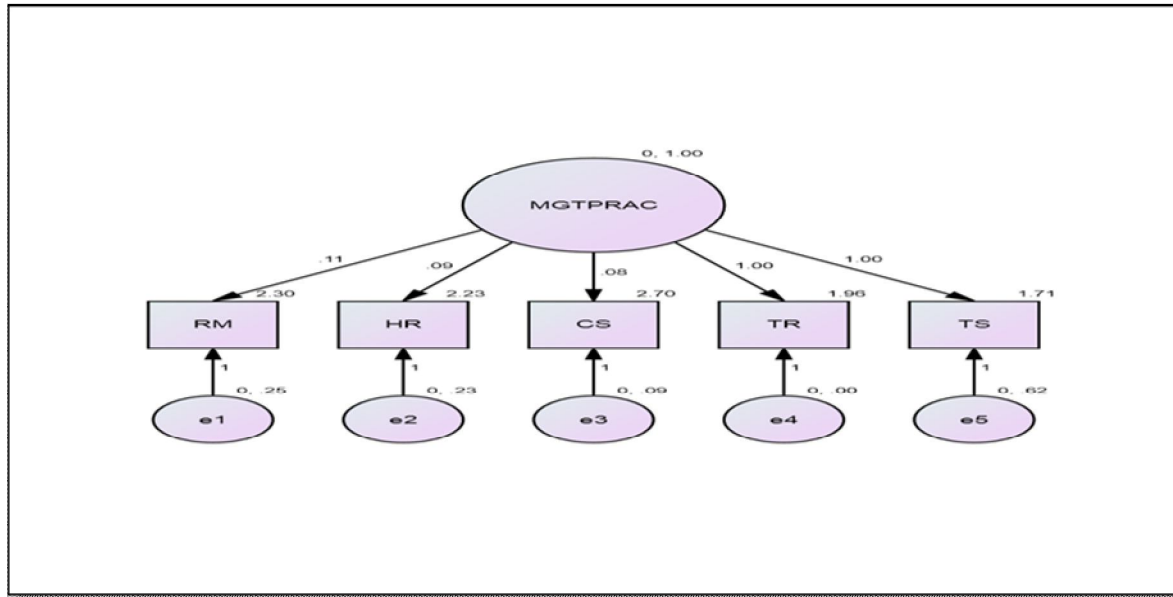


Figure 1: Confirmatory factor analysis for Management Practices and its observed variables

Source: Survey Data (2014)

Note: MGTPRAC is Management Practices, RM is Risk Management, HR is Human Resource, CS is Customer Service, TR is Training, TS is Target Setting and e1 to e5 are errors 1to5.

The variables in the model are classified as observed or unobserved, and as either endogenous or exogenous. Observed, endogenous variables are: Target Setting, Training, Customer Service, Human Resource and Risk Management. Unobserved, exogenous variables are Management Practices, e1, e2, e3, e4 and e5. The model is presented in Table 2 by the estimates of regression weights.

Table 2: The CFA Regression Weights for Management Practices variable

		Estimate	S.E.	C.R.	P
TS	<--- MGTPRAC	1.000			
TR	<--- MGTPRAC	1.000			
CS	<--- MGTPRAC	.080	.020	4.073	.001
HR	<--- MGTPRAC	.086	.031	2.756	.006
RM	<--- MGTPRAC	.113	.048	2.343	.019

Source: Survey Data (2014)

Note: MGTPRAC is Management Practice, RM is Risk Management, HR is Human Resource, CS is Customer Service, TR is Training and TS is Target Setting.

The regression weight for Management Practices in the prediction of Target Setting and Training were fixed at 1.00 based on sound economic theory which states that Management Practices increase with both Target Setting and Training. This means that when the MEOs practice Target Setting and undergo Training, their Management Practices improve. The regression weight for Management Practices in the prediction of Customer Service, Human Resource and Risk Management were all significantly different from zero at the 0.01 level (two-tailed). This means that when the MEOs have good Customer service, Human Resource and Risk Management practices, their Management Practices improve. This was an indication that the observed variables (Measured Variables) of Management Practices had successful factor loading.

The structural relationship between Financial Motivation and Poverty with Management Practices as mediator in the relationship is presented in Figure 2.

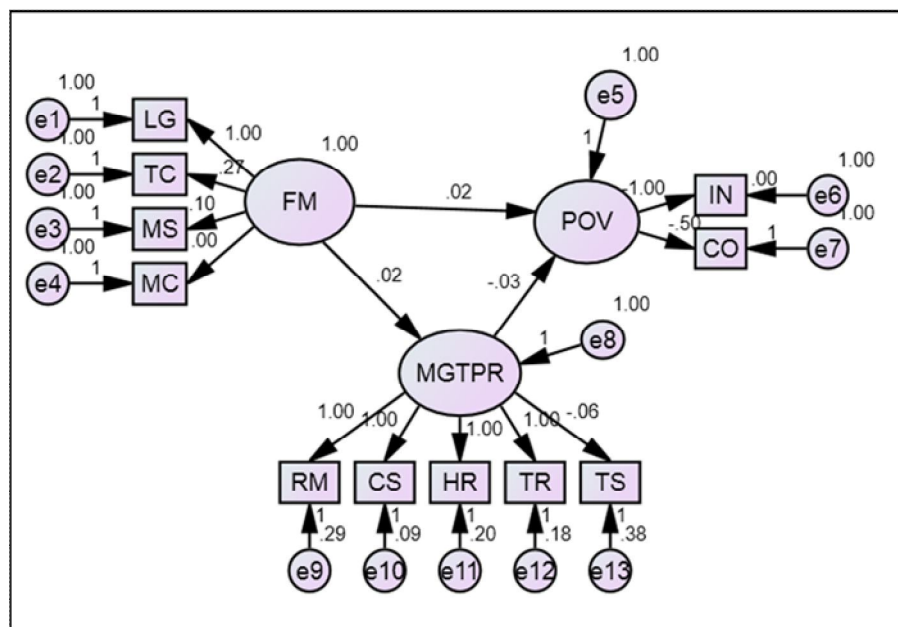


Figure 2 : Structural Equation Modeling for Financial Motivation and Poverty with Management Practices as mediator in the relationship.

Source: Survey Data (2014)

Note: LG is Loan Guarantee, TC is Trade Credit, MS is Micro- Saving, MC is Micro- Credit, FM is Financial Motivation, POV is Poverty, IN is Income, CO is Consumption MGTPRAC is

Management Practice, RM is Risk Management, HR is Human Resource, CS is Customer Service, TR is Training, TS is Target Setting and e1 to e13 are errors 1 to 13.

The variables in the model were classified as observed or unobserved, and as either endogenous or exogenous. The model had the following variables: The observed endogenous variables were Loan Guarantee, Trade Credit, Micro-Saving, Micro-Credit, Target Setting, Training, Customer Service, Human Resource, Risk Management, Income and Consumption. The unobserved endogenous variables were Management Practice and Poverty. Unobserved, exogenous variables were Financial Motivation, e1, e2, e3, e4, e5, e6, e7, e8, e9, e10, e11, e12 and e13.

The Regression Weight for Financial Motivation and Poverty variables with Management Practices as the mediator in the relationship is presented in Tables 3.

Table 3: The Regression Weight for Financial Motivation and Poverty with Management Practices as the mediating variable

			Estimate	S.E.	C.R.	P
MGTPR	<---	FM	.529	.246	2.148	.032
POV	<---	FM	-.103	2.838	-.036	.971
POV	<---	MGTPR	-.064	5.071	-.013	.990
LG	<---	FM	1.000			
TC	<---	FM	1.000			
MS	<---	FM	2.318	.742	3.125	.002
MC	<---	FM	.330	.157	2.101	.036
TS	<---	MGTPR	1.000			
TR	<---	MGTPR	1.000			
CS	<---	MGTPR	1.298	.628	2.068	.039
HR	<---	MGTPR	.551	.556	.990	.322
RM	<---	MGTPR	.016	.796	.020	.984
IN	<---	POV	-1.000			
CO	<---	POV	-1.000			

Source: Survey Data (2014)

Note: MGTPR is Management Practice, POV is Poverty, LG is Loan Guarantee, TC is Trade Credit, MS is Micro-Saving, MC is Micro-Credit, TS is Target Setting FM is Financial Motivation, , IN is Income, CO is Consumption RM is Risk Management, HR is Human Resource, CS is Customer Service and TR is Training.

The regression weight for Financial Motivation in the prediction of Management Practices, Micro-Saving and Micro-Credit were significantly different from zero at the 0.001 level (two-tailed). This means that Financial Motivation works better for the MEOs when their Management Practices, Micro-saving and Micro-credit services are enhanced. However, the regression weight for Financial Motivation in the prediction of Poverty was not significantly different from zero at the 0.001 level (two-tailed). This means that Financial Motivation alone without other factors such as Management Practices cannot predict poverty situation among the MEOs. The regression weight for Management Practices in the prediction of Customer Service was significantly different from zero at the 0.001 level (two-tailed). This means that Customer Service was a good indicator of Management Practices among the MEOs. The estimates of variances of exogenous variables for the three latent constructs namely Financial Motivation, Poverty and Management Practices were further investigated.

The estimates of variances of exogenous variables for Financial Motivation, Poverty and Management Practices are presented in Table 4.

Table 4: Estimates of variances of exogenous variables for Financial Motivation, Poverty and Management Practices

			Estimate	S.E.	C.R.	P
POV	<---	FM	1.175	.033	35.535	0.001
MC	<---	FM	1.000			
MS	<---	FM	.652	.036	18.210	0.001
TC	<---	FM	.954	.056	17.176	0.001
LG	<---	FM	.239	.021	11.367	0.001
TS	<---	MP	1.000			
TR	<---	MP	.205	.123	1.672	.094
HR	<---	MP	.522	.136	3.823	0.001
CS	<---	MP	.176	.083	2.122	.034
RM	<---	MP	.809	.167	4.838	0.001
IN	<---	POV	1.000			
CO	<---	POV	.500	.050	10.016	0.001

Note: POV is Poverty, MP is Management Practice FM is Financial Motivation, MC is Micro-Credit, MS is Micro-Saving, TC is Trade Credit, LG is Loan Guarantee, TS is Target Setting, TR is Training, HR is Human Resource, CS is Customer Service RM is Risk Management, IN is Income and CO is Consumption

The estimates of variances of exogenous variables for Financial Motivation, Poverty and Management Practices were all significantly different from zero at the 0.001 level (two-tailed). This means that the spread for the variables were larger than zero which is an indication of an ideal spread of variables. The Model Fit results for Financial Motivation, Poverty and Management Practices were then investigated to establish whether the Fit Indices would be acceptable or not.

The Model Fit results for Financial Motivation, Poverty and Management Practices are presented in Table 5.

Table 5: Model Fit results for Financial Motivation, Poverty and Management Practices variables

Model	CFI	TLI	RMSEA	CMIN/DF
Default Model for Financial Motivation and Poverty variables	.994	.964	.036	1.901

Source: Survey Data (2014)

Note: CFI is Comparative Fit Index, TLI is Tucker-Lewis Index, RMSEA is Root Mean Square Error of Approximation and CMIN/DF is Relative Chi-Square. The researcher accepted the models if: (1) the relative chi-square value was 3 or less but not less than 1 (Kline, 1998); (2) CFI was equal to or greater than 0.90 (Garson, 2010); (3) TLI was equal to or greater than 0.90 (Hu & Bentler, 1999); and (4) RMSEA was less than or equal to 0.08 (Schreiber, Stage, King, Nora, & Barlow, 2006).

The Goodness-of-Fit Indices for Financial Motivation, Poverty and Management Practices variables (CMIN/DF=1.901, CFI=0.994, TLI=0.964, RMSEA=0.036) met the required thresholds and therefore they were acceptable. This confirmed the positive relationship between Financial Motivation and poverty among the MEOs.

Earlier studies had established the positive relationship between Financial Motivation and Poverty among the MEOs in Homa-Bay Sub County. However, this study establishes that when Management Practices variable mediates the relationship between Financial Motivation and

Poverty, the relationship becomes stronger and more parsimonious than when the relationship is not mediated by Management Practices. This is consistent with the study of Baron and Kenny (1986) which suggest that a more realistic goal is to seek mediators that significantly decrease path coefficient of the relationship between the independent and dependent variables. A significant reduction of path coefficient demonstrates that a given mediator is indeed strong. Earlier studies indicate that the relationship between Financial Motivation and Poverty before the mediation of Management Practices had a path coefficient of 0.66. After the mediation by Management Practices, the path coefficient of the relationship between Financial Motivation and Poverty reduces to 0.02. This indicates that Management Practices as a mediator suppresses the path coefficient of the relationship between Financial Motivation and poverty by 0.64 hence it strengthens the relationship between Financial Motivation and Poverty variables.

Fereshteh (2009) carried out a study in Egypt on the relationship between managerial skills and efficiency of financial management of Egyptian bank branches. Results indicated that there were direct and positive relationship between managerial skills and efficiency in financial management of the Egyptian bank branches. Watt (2007) argues that by embedding risk management practices in the Micro Enterprise processes, significant advantages can be achieved. Harper (2008) argues that providing micro-credit (Financial Motivation) alone may not be an answer. Pitt and Khanker (2006) support this argument by saying that a micro-credit institution with weak control over repayment schedules would be unlikely to succeed. Laderchi, 2008 says that one limitation is that successful businesses require people with some entrepreneurial ability. As well as offering credit services many micro-credit programs have also developed schemes for the borrowers (Khandker, 2005).

Empirical studies (World Bank 2005; Ghatak 2010; Zuzana and Matej 2007; Benzing, Chu and Kara 2009; Kabeer 2004; Karlan and Zinman 2010; Laderchi 2008; Armendariz and Morduch 2007) give mixed results on the mediating role of Management Practices in the relationship between Financial Motivation and Poverty among the MEOs. On the one hand, the studies by (Zuzana and Matej 2007; Shabir and Gregorio 1996; Benzing, Chu and Kara 2009; Kabeer 2004; Karlan and Zinman 2010) have established the direct and positive relationship between Financial Motivation and Poverty. They argue further that successful business enterprises require people with some managerial and entrepreneurial ability. Furthermore they reveal that the rate of failure of the Micro Enterprises in the developing countries is always high due to lack of management skills and

knowledge on the side of the entrepreneurs and this leads to poverty among them. Coy, Shipley, Omer and Rao (2007) argue that the impact of MEs can be felt in the world's economies only if they can be managed effectively. Starting and operating Micro Enterprises include possibilities of success as well as failure and because of their small size; a simple management mistake is likely to lead to the collapse of a Micro Enterprise leading to Poverty among the MEOs (Longenecker2006; Coy, Shipley, Omer and Rao 2007).

Studies by (Laderchi 2008, Armendariz and Morduch 2007, Cameron 2005 and Kuratko, 2003) put it that even when the poor entrepreneurs enjoy access to financial services, their empowerment as a result of those services is not guaranteed. Studies by (Kabeer 2004, Laderchi 2008;Karlán and Zinman 2010) put it that successful businesses require people with some entrepreneurial ability and not Financial Motivation alone.

Available studies indicate that the majority of micro-credit clients dislike the Management Practices where weekly meetings are held because such meetings are considered to be time consuming. Group guarantee is also unpopular, as the borrowers find it difficult to take into account the behaviour of others who cannot promptly repay their borrowed loans. Studies have established direct and positive relationship between managerial skills and efficiency of business enterprises. They have revealed that successful business enterprises require people with some entrepreneurial ability. The studies reveal the significance of having participatory management for Small business development focusing on an approach geared towards a holistic development of the business. However, little is known about the mediating role of Management Practices in the relationship between Financial Motivation and Poverty among the MEOs.

Summary, Conclusion and recommendations.

Summary of Findings

To investigate the mediating role of Management Practices in the relationship between Financial Motivation and Poverty among the MEOs, confirmatory factor analysis (CFA) for Management Practices was done in order to establish the factor loading of its measured variables. This was followed by SEM, which was used to determine the structural relationship between Financial Motivation and Poverty with Management Practices as the mediating variable. This study established that the relationship which is mediated by Management Practice is stronger and more

parsimonious that the relationship between Financial Motivation and Poverty without the mediation by Management Practice.

Conclusions of the study

From the findings of the study, the conclusion was that Management Practices significantly mediates and strengthens the relationship between Financial Motivation and Poverty among the MEOs.

Recommendations of the Study

It is recommended that any future study involving the relationship between Financial Motivation and Poverty should incorporate Management Practices variable as mediator in that relationship. This would strengthen the relationship between Financial Motivation and Poverty making it more parsimonious than when there is no mediating effect of Management Practices in the relationship between the two variables.

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