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ENTREPRENEURSHIP

# FINANCIAL CAPITAL, ENTREPRENEURIAL ORIENTATION AND ENTERPRISE PERFORMANCE IN NAKURU COUNTY, KENYA

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## ABSTRACT

The general objective of the study was to determine effect of financial capital, entrepreneurial orientation on the enterprise performance in Nakuru County, Kenya. The study was guided by Multidimensional Model of Entrepreneurship. The targeted population was 54201 registered and licensed SMEs in Nakuru County. A stratified and random sampling technique was used to select a sample of 396 SME derives using Yamane formula. Five-point Likert scale structured questionnaires was used to collect data. A Cronbach's Alpha coefficient of 0.7 or higher was taken into account in testing reliability of the questionnaire. Construct validity was tested using factor analysis. Data was analyzed using descriptive statistics (frequencies, percentage, mean and standard deviation) and inferential statistics (Pearson correlation, and hierarchical regression. The findings showed that financing capital ($\beta$=0.326, $p<0.05$), had positive and significant effect on enterprise performance. Further results indicated that entrepreneurial orientation positively and significantly moderated the relationships between financial capital ($\beta = 0.34$, $p < .05$) and enterprise performance. This implies that the influence of these financial capital on enterprise performance is enhanced when coupled with a higher level of entrepreneurial orientation. The study concludes that financial capital is key contributor to the performance of small and medium enterprises in Nakuru County, Kenya. Equally, the influence of financial capital on SME performance is contingent on the entrepreneurial orientation. The study suggests that SME owners/managers in Nakuru County focus on enhancing financial capital to improve enterprise

performance. Specifically, efforts should be directed towards improving social capital where pathways for networking and strategic alliances can be built to enhance performance. Additionally, fostering entrepreneurial orientation among SMEs can amplify the positive impact of these capital assets on performance, thus facilitating long-term sustainability and growth of SMEs in the region.

**Keywords:** *Financial Capital, Entrepreneurial Orientation, Enterprise Performance, SMEs*

## 1. Introduction

The performance of Small and Medium Enterprises (SMEs) is widely recognized as a key driver of economic growth, poverty alleviation, and job creation globally. SMEs contribute significantly to Gross Domestic Product (GDP) and play a crucial role in enhancing the livelihoods of communities by fostering innovation and improving living standards (Kaberia & Muathe, 2020). Despite their importance, SMEs face numerous challenges that hinder their performance and sustainability. These include limited access to finance, lack of managerial expertise, rapid technological changes, and regulatory hurdles. Addressing these challenges requires a deeper understanding of the factors that affect SME performance and the mechanisms through which these factors operate.

Among these factors, financial capital has been identified as a critical resource for SME success. Financial capital, which encompasses access to credit, savings, and investments, is fundamental for fueling innovation, business expansion, and operational efficiency (Lee et al., 2022). Adequate financial resources enable SMEs to purchase equipment, hire skilled labor, invest in technology, and expand their market reach, ultimately enhancing their competitiveness and profitability. However, access to financial capital remains a significant hurdle for many SMEs, particularly in developing economies, where financial systems are less developed, and credit access is limited. Financial capital is pivotal for mobilizing savings, facilitating investments, and supporting enterprise development across Africa (Jones & Patel, 2018). To unlock Africa's entrepreneurial potential and promote inclusive economic development, it is crucial to enhance financial inclusion, expand access to credit and savings mechanisms, and strengthen regulatory frameworks (Brown & Garcia, 2020). Financial assets encompass various economic resources that enable enterprises and individuals to build wealth, invest, and formulate strategies for sustaining their enterprises (Guo et al., 2019). These assets include liquid assets like cash and deposits, as well as movable assets such as livestock and income from regular activities, including farming, off-farm ventures, transfers, and remittances, all of which contribute to improved business performance. Financial assets are viewed as economic resources, including bank deposits, credit, and productive infrastructure, which enhance business performance and potential, ultimately impacting the wellbeing of enterprises (Yang et al., 2021). This underscores the need to investigate the role of financial capital in enhancing SME performance.

Entrepreneurial orientation (EO), characterized by innovativeness, proactiveness, and risk-taking, has been posited as a potential moderator in the relationship between financial capital and SME performance. Firms with a high level of EO tend to be more agile, resource-efficient, and better equipped to exploit market opportunities, even with limited capital (Yang et al., 2024). Conversely, firms with low EO may require more financial resources to achieve similar levels of performance.

Understanding how EO influences the utilization of financial capital can provide valuable insights into how SMEs can optimize their resources to achieve superior performance outcomes.

In Kenya, SMEs account for a substantial share of economic activities, contributing 24.7% to the national GDP and providing employment opportunities for millions (KIPPRA, 2021). Despite their critical role, SMEs in Kenya continue to face significant performance challenges, including inadequate financial resources, poor infrastructure, limited managerial skills, and intense market competition (Kenya Agribusiness and Agroindustry Alliance, 2023). High failure rates among SMEs, estimated at 46% annually (Kenya Bankers Association, 2021), underscore the urgency of addressing these challenges to enhance SME performance and sustainability.

While considerable research has focused on financial capital and SME performance (Liu et al., 2020; Rahman et al., 2018), there is limited empirical evidence on the moderating role of entrepreneurial orientation in this relationship, particularly in the Kenyan context. Existing studies on SME performance have often examined isolated aspects of capital, such as human or social capital, without providing a comprehensive analysis of financial capital's influence or the interaction with EO (Namusonge et al., 2024; Kanini & Muathe, 2019). This study sought to address these gaps by exploring the moderating role of entrepreneurial orientation in the relationship between financial capital and enterprise performance in Nakuru County, Kenya. The findings will contribute to the body of knowledge on SME performance and provide practical insights for policymakers and practitioners aiming to enhance the competitiveness and sustainability of SMEs in Kenya.

## 2. Theoretical Review

Weerawardena and Mort (2006) introduced the Multidimensional Model of Entrepreneurship (MME), which underscores three critical dimensions of entrepreneurship: risk management, proactiveness, and innovation. This theoretical framework emphasizes that these elements are pivotal for achieving organizational success. The model highlights innovation as a key entrepreneurial attribute, involving the generation, development, and implementation of new ideas, technologies, and processes to create unique products and services (Lumpkin & Dess, 2006). Proactiveness, another core element, entails anticipating and capitalizing on future opportunities through strategic planning and initiative, while risk management focuses on navigating uncertainties and mitigating potential challenges (Dess et al., 2007; Weerawardena & Mort, 2006). Together, these dimensions provide a holistic perspective on entrepreneurship, linking resource accessibility, strategic orientation, and leadership qualities to organizational outcomes.

Scholars have expanded on the MME's core concepts, particularly the interplay between financial capital and entrepreneurial orientation. Financial capital, as highlighted by Nguyen et al. (2024), plays a central role in enabling innovation, fostering competitive advantages, and supporting entrepreneurial ventures. Lumpkin and Dess (2006) argue that financial resources are essential for entrepreneurs to take calculated risks and invest in innovation. Social networks are equally vital, providing access to funding, partnerships, and market information (Zhang & Ma, 2023). Additionally, recent studies, such as those by Smith et al. (2024), suggest that the interaction between financial and human capital significantly enhances entrepreneurial outcomes, as financial resources enable skill development, problem-solving, and strategic decision-making. This integrative view aligns with the MME's emphasis on leveraging diverse resources to drive enterprise performance.

This study applies the MME to examine the relationship between financial capital and entrepreneurial orientation within specific contexts, such as small enterprises or emerging industries. The model's emphasis on resource accessibility and integration provides a theoretical foundation for understanding how financial capital interacts with other dimensions, such as social and human capital, to influence entrepreneurial outcomes. By linking financial capital to innovation, risk management, and proactiveness, the MME demonstrates its relevance in explaining how effective resource utilization enhances enterprise growth, resilience, and competitiveness. This study's findings will contribute to extending the applicability of the MME, offering insights into the strategic use of financial resources to optimize entrepreneurial performance in diverse economic environments.

## 3. Empirical Review (Hypothesis Development)

The reviewed studies highlight the critical role of financial capital in influencing firm performance across various contexts and sectors. Vu Thi and Phung (2021) analyzed data from over 2,000 SMEs in Taiwan, revealing that capital structure (measured by debt ratio) and working capital (cash conversion cycle) negatively impacted financial performance metrics like ROE and ROA, while the effects of governance quality varied. Similarly, Suleman and Usman (2024) found that equity and borrowed capital had no significant influence on profitability or sales growth among small-scale businesses in Maiduguri, Nigeria, indicating capital structure's importance in driving expansion.

Other studies emphasized the broader implications of financial capital on firm growth and innovation. Williams and Davis (2022) demonstrated that better access to financial capital enabled SMEs to achieve higher revenue growth and operational efficiency by investing in technology and market expansion. Lee and Kim (2023) found that robust financial capital supported innovation in the tech industry, granting firms a competitive advantage through increased research and development. These findings underscore financial capital's role in fostering business growth, innovation, and market competitiveness.

Additional research reinforced the strategic importance of financial resources. Brown and Green (2021) showed that financial capital enhances firm stability and resilience in the manufacturing sector, while Miller and Clark (2023) linked effective financial capital management to increased profitability across various industries. Collectively, these studies emphasize the multifaceted impact of financial capital, ranging from ensuring stability and resilience to driving profitability, innovation, and growth opportunities. Thus, the study hypothesized that:

***$H_1$:*** *There is significant effect of financial capital on enterprise performance in Nakuru County, Kenya.*

Entrepreneurial Orientation (EO) is a critical moderating factor that enhances the relationship between various types of capital and enterprise performance. Studies highlight that EO amplifies the positive effects of human capital by fostering innovation and encouraging proactive and risk-taking behavior. For instance, Hsu et al. (2022) found that firms with high EO effectively leverage employees' skills and knowledge, leading to superior innovation and performance outcomes. Similarly, Al-Momani and Ali (2023) demonstrated that the interaction between EO and human capital significantly improves organizational performance, particularly in firms with a skilled workforce.

EO also influences how financial capital impacts performance by shaping financial decision-making and risk management. Hasan and Manzoor (2024) found that EO moderates the relationship between financial capital and performance, with high EO firms achieving better financial outcomes from their investments. Wang et al. (2023) emphasized that EO enables firms to make bold investments and manage financial risks effectively, optimizing the use of financial resources. These findings highlight the role of entrepreneurial behavior in maximizing the value derived from financial capital.

Moreover, EO enhances the benefits of social and natural capital. Martínez and Rodríguez (2024) revealed that EO positively moderates the relationship between social capital and firm performance by promoting proactive utilization of social networks for market insights and opportunities. Similarly, Nguyen and Huynh (2024) demonstrated that EO moderates the relationship between natural capital and performance, with high EO firms implementing sustainable practices that drive competitive advantage. These studies collectively underline EO's critical role in optimizing the utilization of human, financial, social, and natural capital to enhance enterprise performance. Hence, the study developed hypothesis that:

*$H_2$: Entrepreneurial orientation moderates the relationship between financial capital on enterprise performance in Nakuru County, Kenya.*

## 4. Methodology

Guided by Creswell's (2014) framework, this study aligns with the positivism paradigm. In this study, an explanatory research design was employed to investigate the hypothesized effect of human capital assets on enterprise performance.

### *Sampling*

A target population of 54201 registered SMEs within Nakuru County were considered (Nakuru County, Ministry of Trade, 2023). The SMEs were from all sub counties in Nakuru County namely; Nakuru East, Nakuru West, Naivasha, Gilgil, Nakuru, Rongai, Nakuru North, Subukia, Njoro, Molo, and Kuresoi. Managers and owners were selected purposively on the grounds that they are in a higher management level to comprehend human capital, EO, and enteriprise performance issues of SMEs and in a position to give the correct data. The study employed stratified sampling technique in selecting the SMEs that participated in the study. From the County Government of Nakuru ministry of trade, the SMEs are stratified based on the type of business. There are 6 strata's; manufacturing, hospitality, consulting, information technology, general shops, tours and travel. Random sampling was used to select the SMEs that participated in the study within each stratum. Slovin's formula (2018) also developed by Yamane (1967), was used to calculate the sample size of 395. As a result, 395 people were chosen at random from a population of 54201 SMEs. To make sure that the chosen participants are fairly representative of each population strata, simple random sampling was used. Out of these, 337 questionnaires were returned, resulting in a response rate of 85.1%. However, after performing data screening and cleaning to address issues such as missing data and outliers, 44 questionnaires were identified as unusable—34 due to missing values and 10 due to outliers. Additionally, 59 questionnaires remained unreturned. This led to an overall response rate for usable questionnaires of 73.99%.

***Data Collection Instruments***

In this study, questionnaires were chosen as the primary research instrument, with items structured using a five-point Likert scale. The validity of the questionnaire was carefully ensured by organizing response items under thematic subheadings that aligned with the study's objectives. Content validity was assessed to confirm that the questionnaire comprehensively covered the content domain relevant to the constructs being measured. To establish the reliability of the questionnaire, Cronbach's alpha was employed as a statistical measure.

***Data Analysis and Models Specification***

The analysis of data was quantitatively analyzed by use of inferential and descriptive statistics. Standard deviations and means were applied in analyzing descriptive statistics. In this study, the hypotheses H1and H2 was tested and the interactions between the variables was assessed using a hierarchical multiple regression analysis. In order for moderation to exist, all influence must be substantial. The procedure entailed a number of phases, and the resulting "R square," "F change," and "p values" will be presented. The moderation equation below illustrates and summarizes the aforementioned moderation testing procedure. The moderator (entrepreneurial orientation) interacted with each of the independent variable as presented in equation 1, 2 and 3.

$y = \beta_0 + \beta_1 x_1 + \varepsilon_1$ ..... Model 1
$y = \beta_0 + \beta_1 x_1 + \beta_2 M + \varepsilon_2$ ..... Model 2
$y = \beta_0 + \beta_1 x_1 + \beta_2 M + \beta_3 x_1 * M + \varepsilon_3$ ..... Model 3

Where:, Y = Enterprise performance, $\beta_0$ = Constant Term, $\beta_1$, $\beta_2$, $\beta_3$ = Beta coefficients, $X_1$= financial capital capital, m=Entrepreneurial orientation , ε = Error term.

## 5. Results And Discussion

This chapter presents findings of the study on the effect of financial capital on enterprise performance among SMEs in selected sub-counties in Nakuru County. The chapter presents the response rate, demographic data, quantitative findings, hypothesis testing, and discussion of research findings.

***Descriptive Statistics***

The study conducted a comprehensive assessment of descriptive statistics to gauge enterprise performance, considering various key metrics. This performance, as depicted in Table 1, is characterized by means and standard deviations across a range of indicator. High level of customer loyalty emerges as a significant factor influencing enterprise performance, with a mean score of 2.84 (Std. Dev. = 2.09). This indicates a generally high level of customer loyalty among the surveyed enterprises. However, the wide standard deviation of 2.09 suggests considerable disparity in reported levels of customer loyalty across enterprises. Understanding and managing these variances in customer loyalty could prove pivotal in enhancing overall performance and competitiveness. Furthermore, growth in sales in relation to internal expectations stands out with a mean score of 2.81 (Std. Dev. = 0.75), indicating that enterprises, on average, are meeting or exceeding their internal sales projections. This suggests a level of operational efficiency and

effectiveness in sales strategies. Moreover, growth in profits in relation to internal expectations also surpasses the midpoint, with a mean score of 2.67 (Std. Dev. = 1.03). This suggests that, on average, enterprises are achieving moderate growth in profits relative to their expectations, although there is notable variability in reported profit growth among enterprises.

Additionally, growth in capital from operations exhibits a mean score of 2.63 (Std. Dev. = 0.97), indicating moderate growth in capital resources generated internally by enterprises. This suggests that enterprises are able to generate capital from their operational activities, albeit with some variability in capital growth trajectories. Overall, while these indicators show promising performance, there are still areas of concern, such as the perception of sales growth in relation to competitors (mean = 2.41, Std. Dev. = 0.99), growth in market size in new markets in relation to internal expectations (Mean = 2.31= Std. Dev. = 0.92) and growth in market size in new markets in relation to competitors (Mean 2.14, Std. Dev. = 0.82), indicating a perceived lag behind competitors in market expansion efforts. This also suggests that enterprises may need to address competitive pressures to further enhance their performance in the market.

**Table 1: Descriptive Statistics for Enterprise performance**

| n=293 | Mean | Std. Dev. | Skewness | Kurtosis |
|---|---|---|---|---|
| Growth in sales in relation to your expectations | 2.81 | 0.75 | 0.886 | 1.573 |
| Growth in sales in relation to your competitors | 2.41 | 0.99 | 0.487 | -0.097 |
| Growth in profits in relation to your expectations | 2.67 | 1.03 | 0.384 | -0.809 |
| Growth in profit level in relation to your competitors | 2.41 | 0.92 | 0.507 | -0.434 |
| Increased market size in new markets in relation to your expectation | 2.31 | 0.92 | 0.661 | -0.038 |
| Increased market size in new markets in relation to your competitors | 2.14 | 0.82 | 1.166 | 1.83 |
| Growth in capital from operations | 2.63 | 0.97 | 0.318 | -0.824 |
| **Enterprise Performance** | **2.66** | **0.60** | 0.188 | -0.203 |

The find the enterprise's ability to easily access external financial capital through traditional banking institutions (Mean = 2.54, Std. Dev. = 1.03) suggests a generally positive perception of financial accessibility. Similarly, the perception of the enterprise successfully obtaining funding through government grants or subsidies (Mean = 3.14, Std. Dev. = 1.18) reflects confidence in the enterprise's ability to secure alternative sources of funding. These findings imply that the enterprises have relatively favorable financial standing and are adept at leveraging both traditional and non-traditional sources of capital to support their operations and growth initiatives.

Conversely, items with mean scores below 2.5 indicate a lower level of agreement or satisfaction among respondents. For instance, the perception of the enterprise maintaining a diverse portfolio of financial assets for stability during economic fluctuations (Mean = 2.17, Std. Dev. = 0.82) suggests room for improvement in diversification strategies. Additionally, the perception of the enterprise having established a reputation for financial stability (Mean = 2.55, Std. Dev. = 1.17) indicates a moderate level of agreement but leaves room for enhancement in bolstering financial credibility and stability. These findings highlight areas where enterprises may need to focus their efforts to strengthen their financial positions and strategies. The overall mean score for financial capital across all items is 2.53, with a standard deviation of 0.67. This suggests a moderate level of agreement among respondents regarding financial capital management practices within the surveyed enterprises. The standard deviation of 0.67 indicates some variability in perceptions,

indicating diverse perspectives among respondents regarding financial capital management. This underscores the importance of considering individual item scores and addressing areas of divergence to optimize financial management strategies and practices.

Examining skewness and kurtosis values provides further insights into the distributional characteristics of the data. In this case, most skewness and kurtosis values are within acceptable ranges, as suggested by Matore and Khairani (2020). However, any outliers or deviations from normal distribution, such as the relatively higher skewness (0.54) for the item related to accessing external financial capital and the positive kurtosis (1.73) for the item related to credit history. These findings suggest some asymmetry or non-normality in the distribution of perceptions, which may warrant further investigation into underlying factors influencing respondents' perceptions.

**Table 2: Descriptive Statistics for Financial capital**

| n=293 | Mean | Std. Deviation | Skewness | Kurtosis |
|---|---|---|---|---|
| The enterprise easily accesses external financial capital through traditional banking institutions. | 2.54 | 1.03 | 0.54 | -0.50 |
| The enterprise demonstrates a solid credit history, making it easier to secure loans or lines of credit. | 1.91 | 0.81 | 1.03 | 1.73 |
| The enterprise has successfully obtained funding through government grants or subsidies. | 3.14 | 1.18 | 0.02 | -1.05 |
| The enterprise maintains a diverse portfolio of financial assets, providing stability during economic fluctuations. | 2.17 | 0.82 | 0.83 | 1.00 |
| The enterprise actively seeks out opportunities for investment or equity financing to fuel growth. | 2.83 | 1.17 | 0.16 | -0.96 |
| The enterprise founder has a proven track record of securing investment capital for business ventures. | 3.13 | 1.16 | 0.03 | -1.02 |
| The enterprise effectively manages cash flow, ensuring sufficient funds for operations and expansion. | 2.60 | 1.18 | 0.11 | 0.79 |
| **Financial Capital** | **2.53** | **0.67** | **0.61** | **0.31** |

The perception that the enterprise founder fosters an environment of experimentation (Mean = 3.116, Std. Dev. = 1.014) suggests a strong inclination towards innovation and exploration of new product ideas. Similarly, the perception that the enterprise founder strategically positions the business to meet the demands of emerging export markets (Mean = 2.693, Std. Dev. = 1.076) reflects proactive efforts to capitalize on new opportunities and expand market reach. These findings indicate that the surveyed enterprises exhibit entrepreneurial behaviors such as innovativeness, proactiveness, and willingness to explore new ventures. Conversely, items with mean scores below 2.5 indicate a lower level of entrepreneurial orientation. For instance, the perception that the enterprise founder invests in higher-risk projects (Mean = 2.536, Std. Dev. = 0.970) suggests a moderate inclination towards risk-taking but leaves room for improvement in pursuing higher-risk ventures. Additionally, the perception that the enterprise founder views taking risks as an integral part of the business strategy (Mean = 2.539, Std. Dev. = 0.967) indicates a moderate level of risk tolerance, highlighting potential opportunities to further embrace risk as a driver of innovation and growth. These findings suggest areas where enterprises may need to focus

their efforts to strengthen their entrepreneurial orientation and cultivate a more entrepreneurial mindset.

The overall mean score for Entrepreneurial Orientation (EO) across all items is 2.976, with a standard deviation of 0.835. This indicates a moderate level of entrepreneurial orientation within the surveyed enterprises. The standard deviation of 0.835 suggests some variability in perceptions, highlighting diverse perspectives among respondents regarding entrepreneurial behaviors. This underscores the importance of considering individual item scores and addressing areas of divergence to optimize entrepreneurial orientation within enterprises. Examining skewness and kurtosis values provides further insights into the distributional characteristics of the data. In this case, the skewness and kurtosis values for the overall EO measure are both relatively high (skewness = 1.136, kurtosis = 1.448), indicating a departure from a normal distribution. This suggests some asymmetry and peakedness in the distribution of entrepreneurial orientation perceptions, potentially reflecting varying degrees of entrepreneurial behaviors among surveyed enterprises.

**Table 3: Descriptive Statistics for Entrepreneurial Orientation**

| n=293 | Mean | Std. Dev | Skewness | Kurtosis |
|---|---|---|---|---|
| The enterprise founder demonstrates innovativeness by continuously introducing novel approaches to operations. | 2.846 | 0.990 | 0.270 | -0.806 |
| The enterprise founder actively seeks out new methods and processes to improve business operations. | 2.700 | 1.030 | 0.420 | -0.563 |
| The enterprise founder fosters an environment of experimentation, constantly exploring new product ideas. | 3.116 | 1.014 | -0.016 | -0.628 |
| The enterprise founder proactively positions the business to adapt to and capitalize on anticipated market changes. | 2.720 | 0.901 | 0.469 | -0.007 |
| The enterprise founder seeks to exploit anticipated market changes by staying ahead of industry trends. | 2.949 | 1.000 | 0.124 | -0.700 |
| The enterprise founder strategically positions the business to meet the demands of emerging export markets. | 2.693 | 1.076 | 0.521 | -0.638 |
| The enterprise founder invests in higher-risk projects to explore new opportunities for growth. | 2.536 | 0.970 | 0.589 | -0.495 |
| The enterprise founder demonstrates a tolerance for high-risk projects and is willing to take calculated chances. | 2.601 | 1.000 | 0.557 | -0.399 |
| The enterprise founder views taking risks as an integral part of the business strategy, especially when pursuing new ideas and ventures. | 2.539 | 0.967 | 0.530 | -0.572 |
| Entrepreneurial Orientation | 2.976 | 0.835 | 1.136 | 1.448 |

***Correlation Analysis***

The correlation analysis in Table 4 provides insights into the relationships between different variables, specifically enterprise performance, financial capital. There is a strong positive correlation between enterprise performance and financial capital ($r = 0.656$, $p < 0.01$), indicating that enterprises with better financial resources tend to have higher performance levels. This suggests that access to financial resources, such as capital investment and liquidity, positively

influences enterprise performance. The correlation between enterprise performance and entrepreneurial orientation is weak but statistically significant ($r = 0.151$, $p < 0.01$).

**Table 4: Correlation analysis**

| | EP | FC | EO |
|---|---|---|---|
| Enterprise Performance (EP) | 1 | | |
| Financial Capital (FC) | .656** | 1 | |
| Entrepreneurial Orientation (EO) | .151** | .160** | 1 |

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

***Hypothesis testing***

Hierarchical regression model was the most important in testing the hypotheses. The results of the regression analysis for Hypothesis 1 indicate that financial capital significantly influences enterprise performance. The model yielded an $R^2$ value of 0.509, showing that financial capital explains 50.9% of the variance in enterprise performance. The adjusted $R^2$ was 0.499, confirming the robustness of the model. The standardized coefficient ($\beta = 0.326$) was positive and statistically significant ($p = 0.000$), confirming the hypothesis. These findings align with previous studies, such as Guo et al. (2019) and Yang et al. (2021), which emphasize that access to financial resources enhances business operations, enabling enterprises to invest in innovations, expand market reach, and address operational challenges. The findings are consistent with resource-based theory, which posits that financial capital is a critical resource for gaining a competitive advantage. Therefore, Hypothesis 1 is not rejected, as the evidence confirms the significant positive effect of financial capital on enterprise performance. However, it is crucial to note that while financial capital is vital, it is not the sole determinant of enterprise success. As Ibrahim, Hassan, and Kamaruddin (2018) suggest, combining financial capital with human and social resources can amplify its impact, underscoring the need for a comprehensive approach to enterprise development.

The hierarchical regression analysis was conducted to test Hypothesis 2, examining the moderating role of EO in the relationship between financial capital and enterprise performance. The introduction of EO into the model led to a change in $R^2$ ($\Delta R^2$) of 0.010, increasing the total $R^2$ to 0.519. This suggests that EO accounts for an additional 1% of the variance in enterprise performance. The interaction term (financial capital × EO) had a positive and statistically significant effect ($\beta = 0.167$, $p = 0.015$), confirming that EO moderates the relationship between financial capital and enterprise performance. These results indicate that enterprises with a strong EO—characterized by a proactive and innovative approach to decision-making—are better positioned to utilize financial capital effectively. The findings are consistent with prior studies, such as Rauch et al. (2009), which highlight the amplifying role of EO in improving firm performance. EO enables firms to identify market opportunities, embrace innovation, and mitigate risks, thereby enhancing the returns on financial investments. Hypothesis 2 is not rejected, as the evidence supports the moderating role of EO. This finding underscores the importance of fostering EO among enterprises to maximize the benefits of financial capital. However, the strength of EO's moderating effect may vary across industries and enterprise sizes, as suggested by Lumpkin and Dess (2001).

**Table 5: Hierarchical Regression**

| | Model 1 Beta (t) | Model 2 Beta (t) | Model 3 Beta (t) | Model 4 Beta (t) |
|---|---|---|---|---|
| (Constant) | 2.68 (20.13) ** | 0.65(3.90) ** | 0.28(1.77) | 1.07(6.97) ** |
| **Control variables** | | | | |
| Enterprise Age | -0.02(-0.31) | 0.03(0.60) | 0.01(0.27) | 0.03(0.93) |
| Enterprise size | 0.00(0.06) | 0.05(1.28) | 0.07(1.78) | 0.06(1.75) |
| **Predictors** | | | | |
| Financial Capital | | 0.33(4.87) ** | 0.28(4.63) ** | 0.11(1.47) |
| **Moderator** | | | | |
| EO | | | 0.34(7.96) ** | 0.139(2.378) * |
| **Interaction** | | | | |
| FC*EO | | | | 0.34(4.13) ** |
| **Model Summary** | | | | |
| **Model** | **1** | **2** | | **4** |
| R | 0.019 | 0.713 | 0.773 | 0.794 |
| R Square | 0.000 | 0.509 | 0.598 | 0.630 |
| Adjusted R Square | -0.007 | 0.499 | 0.588 | 0.618 |
| Std. Error of the Estimate | 0.5986 | 0.4225 | 0.3828 | 0.3687 |
| **Change Statistics** | | | | |
| R Square Change | 0.000 | 0.509 | 0.089 | 0.010 |
| F Change | 0.051 | 74.046 | 63.333 | 7.827 |
| df1 | 2 | 4 | 1 | 1 |
| df2 | 290 | 286 | 285 | 283 |
| Sig. F Change | 0.950 | 0.000 | 0.000 | 0.005 |

**p<0.01, *p<0.05

The study utilized modgraph, following Jose's (2008) suggestion, to illustrate the amplifying moderating effects. Adhering to Aiken and West's (1991) guidelines, a moderation graph was employed to explore the interplay among the variables of interest, particularly entrepreneurial orientation, across different levels of the moderator. Illustrated in Figure 1, heightened levels of entrepreneurial orientation corresponded to a more pronounced slope between financial capital and enterprise performance, consequently invalidating null hypothesis 5a. This observation suggests enhancing moderation suggesting entrepreneurial orientation is elevated, the positive impact of financial capital on enterprise performance becomes more substantial compared to situations with lower levels of entrepreneurial orientation. In essence, enterprises with a strong entrepreneurial orientation tend to experience a heightened effectiveness of financial capital in driving performance outcomes.

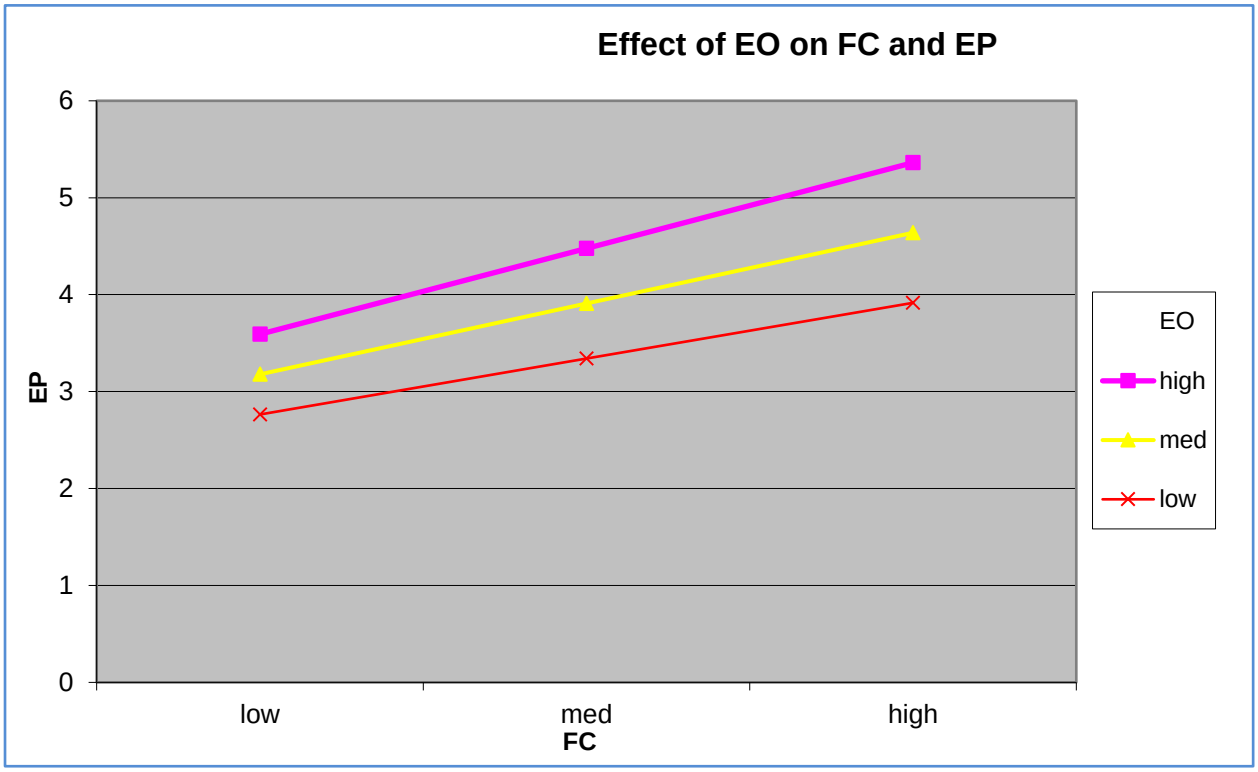


**Figure 1: Modgraph for Moderating Effect of Entrepreneurial Orientation on Financial Capital and Enterprise Performance**

## 6. Conclusion

The findings strongly support the notion that financial capital plays a crucial role in influencing the performance of entrepreneurial ventures. Through regression analysis, the study confirms a significant and positive effect of financial capital on enterprise performance, indicating that businesses with greater financial resources tend to perform better. This conclusion is further justified by the descriptive analysis, which reveals a generally positive perception of financial accessibility among entrepreneurs. However, areas for improvement, such as diversification strategies and establishing a reputation for financial stability, highlight the need for entrepreneurs to enhance their financial capital management practices. Overall, these findings emphasize the importance of prioritizing financial resource allocation and management to optimize entrepreneurial performance and foster business success.

The findings emphasize the critical role of entrepreneurial orientation in shaping the relationship between financial capital and enterprise performance. Entrepreneurial orientation, characterized by a strong inclination towards innovation and proactive market positioning, drives the effectiveness of these capital resources in driving business success. Enterprises exhibiting entrepreneurial behaviors, such as fostering an environment of experimentation and strategically targeting emerging export markets, demonstrate higher performance outcomes. Embracing higher-risk projects and viewing risk-taking as integral to business strategy can further optimize the utilization of human, social, and financial capital, thereby enhancing enterprise performance. While surveyed enterprises demonstrate a moderate level of entrepreneurial orientation, there remains room for improvement in embracing risk and pursuing higher-risk projects to fully leverage capital assets for sustained competitiveness and growth.

## 7. Recommendations

Based on the findings, it is recommended that entrepreneurs prioritize strategies to bolster their financial resources. This may include seeking funding from a diverse range of sources, including traditional banking institutions and government grants or subsidies. Additionally, entrepreneurs should focus on enhancing their diversification strategies to mitigate financial risks and establish a strong reputation for financial stability. Engaging in continuous monitoring and evaluation of financial management practices is also advised to ensure alignment with business objectives and optimize performance. Based on the findings highlighting the pivotal role of entrepreneurial orientation, enterprises should prioritize fostering a culture of innovation and proactive market positioning. Managers should encourage experimentation and strategic targeting of emerging markets to capitalize on new opportunities. Additionally, embracing higher-risk projects and integrating risk-taking into business strategies can enhance the utilization of capital assets for improved performance outcomes.

## 8. Further Studies

Suggestions for further studies could expand our comprehension of the impact of financial capital assets on enterprise performance. Firstly, conducting similar studies in diverse regions or counties would allow for comparisons, offering insights into the generalizability of findings beyond Nakuru County. Exploring specific industry sectors or business types can reveal sector-specific challenges and opportunities for entrepreneurial development, providing valuable sector-specific insights. Longitudinal studies could provide insights into how entrepreneurial behaviors and capital investments evolve over time, offering a deeper understanding of their long-term impact on business performance. Lastly, integrating qualitative methods alongside quantitative analyses, such as interviews or case studies, can offer rich contextual information, unveiling underlying mechanisms and complex phenomena not captured by quantitative measures alone.

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