EFFECT OF FINANCIAL DEVELOPMENTINITIATIVESON GROWTH OF SMALL AND MEDIUM MANUFACTURING ENTERPRISES IN NAIROBI COUNTY

By

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DECLARATION

STUDENT'S DECLARATION

I declare that this research is my original work and has not been previously submitted elsewhere for the award of a degree.

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SUPERVISOR'S DECLARATION

This research study has been submitted for examination with my approval as a university supervisor.

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DEDICATION

I dedicate this research proposal to my friend and colleague Catherine Mwai, my entire family and friends for all the love and support they have given me during the entire process.

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I thank God for being with me throughout the entire journey of writing this research. I also thank my supervisor Dr. Samson Nyang'au Paul for his support and dedication to ensure I complete this research proposal. Finally, thank you to my family, colleagues and friends for giving me time and support to do this thesis.

Thank you, GOD BLESS YOU.

ABSTRACT

Small and medium-scale enterprises play an important role in the process of industrialization and economic growth in both developed and developing economies. However, limited access to finance is noted as a major obstacle to development of SMEs in Africa majorly because of their perceived higher risk that makes the formal financial institutions reluctant to lend to them. This is further reinforced by inadequate financial instruments and lack of developed financial markets. The role of financial market development on economic growth and enterprise development has been studied in several settings with mixed findings. Finance and development nexus studies that attempt to unravel the effects of accessing and utilizing financial services on SMEs has arrived at mixed and conflicting findings. Though a lot has been done to address the recurring phenomenon of lack of access to finance, the problem is notably still pervasive, requiring further investigations on the level of access to finance by SMEs and the cost involved in obtaining such funds where available especially in Nairobi County which is a largely Metropolitan County characterized by development of SMEs in sectors notably: trade and commercial services, manufacturing, financial services and construction. The study focused on 451 SMMEs in the manufacturing sector in Nairobi County with a sample of210 SMMEs and the researcher heavily relied on primary data which was analyzed using SPSS. Data was analyzed using correlation and regression analysis. Charts, frequency distribution tables, and bar charts were used in presenting the findings. The study sought answers to the question; what is the effect of financial development initiatives on the growth of SMMEs in Nairobi County?The study concluded that pooling of savings by firms will promote the relationship with the financial institutions and this will ensure efficiency when they are seeking for funds needed for investment which in turn brings firms growth such as opening new branches.Based on the findings also the study concluded that the way firms allocate capital in different investment projects also determines growth and requires expertise so as to ensure risk diversification which may lead to high profits thus growth of the firm and finally concluded that access to credit has a strong association with the growth of small and medium manufacturing enterprises. The study established that the pooling of savings plays a vital role in improving the relationship between SMMEs and financial institutions. The KMA should come up with ways in which they can control and encourage pooling of savings by the firms.

ABREVIATIONS AND ACRONYMS

ANOVA: Analysis of Variance

GOK: Government of Kenya

MSME: Micro Small and Medium Enterprises

R&D: Research and Development

ROE: Return on Equity

ROIC: Return on Invested Capital

SMEs: Small and Medium Enterprises

SMMEs: Small and Medium Manufacturing Enterprises

SPSS: Statistical Package for Social Sciences

VIF: Variance Inflation Factor

SDGs: Sustainable Development Goals

KMA: Kenya Manufacturing Association

OECD: Organization for Economic Co-operation and Development

DEFINITION OF TERMS

Financial Development: In the enterprise leads, finance follow school of thought, when opportunities arise in the economy that require financing, the economy will develop the necessary markets and institutions to finance these opportunities. In the endogenous growth literature, financial intermediaries, information collection and analysis and risk sharing characterize financial development. Government restrictions on the banking system like interest rate ceiling, high reserve requirements and directed credit programs hinder financial development. According to Levine (2005), financial development concerns growth in such financial systems functions: savings pooling; capital allocation to investments that are productive; investments monitoring; diversification of risk; and goods and services exchange.

Small and Medium Manufacturing Enterprises (SMMEs): Statistical definition of SMMEs varies by country, and is usually based on the number of employees, value of assets and levels of turnover. The lower limit for small-scale enterprises is usually set at 5 to 10 workers and the upper limit at 50 to 100 workers. The upper limit for "medium-scale" enterprises is usually set between 100 and250 employees. The Bolton Committee applied different definitions of the small firm to different sectors. Whereas firms in manufacturing, construction and mining were defined in terms of number of employees (in which case, 200 or less qualified the firm to be a small firm), those in the retail, services, wholesale, etc. were defined in terms of monetary turnover (in which case the range is 50,000-200,000 British Pounds to be classified as small firm). Firms in the road transport industry are classified as small if they have 5 or fewer vehicles. The UNIDO also defines SMEs in terms of number of employees by giving different classifications for industrialized and developing countries. The classification given for developing countries is as follows: Large - firms with 100 or more workers; Medium - firms with 20-99 workers; Small - firms with 5-19 workers; Micro - firms with less than 5 workers.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

There are some connections between financial development and poverty reduction, economic growth and inequality in developing countries (Jalilian and Kirkpatrick (2005). There is an empirical confirmation of a positive relationship between financial development initiatives and growth which alludes to demand driven growth. This is more noticeable in developing countries.Ogujiuba and Ohuche (2004) explain that in developing countries, small and medium-scale enterprises (SMEs) have significant roles in the process of industrialization and economic growth. Besides increasing per capita income and output, creating employment opportunities, enhancing regional economic balance by industrial dispersal and to a larger extent promote effective utilization of resources which is taken to be vital to engineering growth and economic development. Griggs et al. (2013) argue that the protection of Earth's life support system and poverty reduction must be the twin priorities for SDGs. Sachs (2012) explain in the SDG two that nations should adopt strategies that increasingly build on sustainable best practice technologies, appropriate market incentives, and individual responsibility. Further, SDG three provide that every country should promote the wellbeing and capabilities of their entire citizen to reach their potential irrespective of class, gender, ethnic origin, religion or race. These two SDGs therefore call for the empowerment of SMEs through conscious government intervention.

As explained by Soderbom (2001), the competitiveness and long-term growth of SMEs are hindered by their part on access to alternative financing constraints. They are also held down by other systematic and institutional problems in developing countries. Financing constraints are dependent on levels of financial development. Isaksson (2001) contextualize that knowledge from economic development is that industrialization to a great extent drives economic growth. In many countries, the need for a growing manufacturing sector is acceptable to be a vital means of increasing welfare overall. But industrial development does not involve production processes perse; it also involves financial sector that is well-functioning.

As explained by Kaufmann (2005), inaccessibility to finance is a major hindrance to SMEs development in Africa as their inherent higher risk perception creates reluctance on the side of financial institutions to lend to them. Migiro (2005) expounded that financing has been a major hindrance to the growth of SME sector in Kenya. Most SMEs have a challenge in providing collateral for loans worsened by improper regulatory and legal policies which do not factor in some of the inventive strategies for lending to SMEs. Restricted access to proper funding caused by inadequacy in terms of ability to provide funding to SMEs remains a hindrance to the advancement of SMEs sector in Kenya. Most banks in Kenya categorize SMEs as volatile and unsustainable in terms of riskiness. Business financing has been a daunting task as only few SMEs barely manage to secure loans. However, several forms of financial interventions to advance the growth and the developments of SMEs have been put forth by non-governmental organizations to enhance their profitability. Memba (2012) also notes that the development of SMEs has barely been successful despite the great amount of support programs. Limited access of SMEs to credit and financial services has been identified as one of the most important supply constraints confronting the sector in Kenya.

1.1.1 Financial Development Initiatives

Cihak et al. (2012) developed a broad multidimensional approach to defining financial development. Financial development is a framework, a combination of liquidity and size of markets, access (capacity of individuals and firms to obtain financial services), and efficiency which is the ability of financial services being offered by institutions at an affordable cost and with revenues that are sustainable and the capital markets level of activity). Financial development is the progress in financial sector in form of efficiency and depth and accessibility (World Bank, 2012). Financial development concerns growth in such financial systems functions: savings pooling; capital allocation to investments that are productive; investments monitoring; diversification of risk; and goods and services exchange (Levine, 2005). The efficiency with which funds are allocated can be influenced by saving and investment decisions. Consequently, the accumulation of physical and human capital affects finance total factor productivity. These are the three factors by which economic growth is determined (Bernanke, Gertler, and Gilchrist, 1999).

Bilodeau (2008) define financial development initiatives as enabling infrastructure (factors, policies, and institutions). This constitutes institutional and business environments, intermediaries that are financial and provision of basic support by markets for the financial system. World Economic Forum (2012)presents operationalization of financial development across the Index seven pillars: Institutional environment involves liberalization of the financial sector, legal, corporate governance, and issues dealing with regulation, and enforcement of contracts; Human capital, taxes, infrastructure, and costs of doing business are considered by business environment; the risk of currency crises are captured by financial stability, banking crises that are systemic, and sovereign debt crises; Banking financial services measures, efficiency, size and disclosure of financial information.

1.1.2 Growth of Small and Medium Enterprises

SMEs are considered as instruments that are capable of creating solutions to the problems that are critical to the poverty and development and affecting good number of developing countries (Kayanula and Quartey 2000; Mead and Liedholm 1998; Fischer 1995), therefore their growth is important. Gaining access to bank credits is one of the challenges facing many SMEs. The performance of SMEs is of great concern to the government. This is due to the potential of SMEsto development in the economic and social sectors. Past statistics give an indication of failure of three out of five businesses in their operation in the first few months (Kenya National Bureau of Statistics, 2007). According to Amyx (2005), the negative perception towards SMEs is one of the challenges that are the most significant. There is a perception among potential clients about small businesses facing inadequacies in the provision of services that are quail. Inability to meet satisfaction for more than one significant project simultaneously. Larger companies often are chosen and given business for their clout in the industry and recognition by name alone.

Bunyasi, Bwisa and Namusonge (2014) cite the European Statistical Data Support (2008) in the propositions that SMEs growth is a major economic driver. This is because SMEs add to employment growth at a rate that is higher than larger firms. This can be seen clearly when having knowledge that the EU economy, close 99.8 per cent of the business enterprises are SMEs offering employment to 67% of the European labourers and offering development to 57% of the value added. Bunyasi et.al (2014) offer assertion to the proposition by Clark et al. (2001) that growth that is the second most vital objective of a firm, the most significant one being the survival of the company. Growth and aversion is the principal reason as to why the stagnation of most SMEs happens. There are several factors that influence the Growth of SMEs. The stiff global competition creates the need for SMEs. This will enable them to have access to information on business that will assist them to attain an edge that is competitive.

1.1.3 Financial Development Initiatives and Growth of Small and Medium Enterprises

Beck and Demirguc-Kunt (2006) opine that access to finance is an important growth constraint for SME's, which financial and legal institutions do play an important initiative in relaxing such constraints. Innovative financing instruments are expected to facilitate SMEs access to finance even in the absence of well-developed institutions. Thus innovative financing fills the void in financial development. In the authors realm, in a competitive business environment where access to finance is an important aspect, facilitates firm's entry, exit and growth is essential for the development process.

King and Levine (1993) and Levine (1997) underscore that financial development initiatives fosters growth and that a country's growth is related to its institutional characteristics including its legal framework. The financial development matters for growth both at the macroeconomic and micro economic levels. Demirguc – Kunt and Maksimovic (1998) and Rajan and Zingales (1998) opine that well developed financial markets make it easier for firms to attract financing for their investment needs. Booth et al (2000) shows that debt structure of firms varies across institutional frameworks.

1.1.4 Small and Medium Manufacturing Enterprises Industry

Whereas sessional Paper No. 2 of 2005 gives a definition of SME as an enterprise with employees of between 1 to 50, the World Bank gives the definition of an SME as one that fits to either of the following: Business that's formally registered with a turnover of annually of between Ksh8 million to 100 million, Ksh 4 million asset base and employing employees between 5 to 150. Two criteria have been used by MSME Bill 2011 to give a definition of an SMEs in general as: the company's annual turnover and the number of people/employees. For the manufacturing sector enterprises, an account is taken in the definition on investment in plant and machinery including the registered capital.

The important role of SMMEs has a growing recognition of the role they play in economic development. The description given to them is that of being efficient and prolific creators of jobs, the seeds of big businesses and national economic engines fuel (Kayanula and Quartey, 2004). Even in the industrial economies that are developed, it is the SMEs sector that is the largest employer of workers not the multinationals.

A study by Amyx (2005) attested that the SMEs coverage is not less than 95% of all firms in Sub-Saharan Africa. The SME sector in Kenya has an estimated contribution of estimated 18% of the GDP as besides employment creation for 80% of the population workforce (Wanjohi&Mugure, 2008). Ayyagari, Demirguç-Kunt, and Maksimovic (2011) researched on the effect of SMEs jobs creation and indicated that SMEs with less than 250 employees in many countries were the engine of growth. Beck, Demirguc-Kunt, and Levine (2005) suggested that the constitution of SMEs is over 60% of manufacturing sector in developing countries employment.

1.1.5 Nairobi County

Nairobi county is the second smallest county in Kenya after Mombasa county with an approximate area coverage of 696 square Km yet one of the most populated county with a population of over three million people as of the 2009 census. In addition to being the county that hosts the nation's capital, Nairobi city boasts of being home to some of the largest local and international businesses and organization including the Central Bank of Kenya and the United Nation Offices just to mention a few. However, being a largely Metropolitan County, SMEs are coming up in other sectors like: trade and commercial services, manufacturing, financial services, construction among others.

1.2 Statement of the Problem

Beck, et al. (2005) opines that corporate finance theory suggests that market imperfections caused by underdeveloped financial systems constrain firm's ability to fund investment projects. According to Demirguc – Kunt and Maksimovic (1998), firms in countries with developed financial institutions obtain more external financing than firms in countries with less developed institutions which should therefore explain the variations in their levels of growth.

The significant role SMEs have in the economy cannot be underestimated nowadays. As Kenya positions itself to attain the sustainable development goals (SDGs) that focus on poverty alleviation as guided by the National Government big four agenda that include manufacturing sector for job creation, there is need to revisit the contributions of the small and medium sized manufacturing enterprises (SMMEs). The importance of Small and Medium Enterprises in Kenya was first accepted in the 1972 Employment, Income and Equity in Kenya International

Labor Organization report. The SMEs were underscored in that report as being an engine for income growth and employment. 85 percent of Kenya's employments are SMEs created (Gok, 2009).

Several finance and development nexus studies attempt to unravel the effects of accessing and utilizing financial services on SMEs. Ngasongwa (2006) found out that SMEs access to finance enabled them to; create productive capacity, compete, jobs creation and contribution to alleviation of poverty in countries that are developing. Carven (2006) asserted that SMEs that access financing are; able to acquire new technologies, expand to compete in new territories and also strike business linkages with larger firms. However, despite all these benefits, there are some challenges for the SMEs to acquire the much needed funding to propel their growth. Quartey, et al. (2017) opine that though a lot that has been accomplished in addressing the phenomenon that has been recurring of inadequate finance, there is still a pervasive problem that requires scrutiny further on the level of finance accessibility by SMEs and the involved cost in obtaining such funds.Bunyasi et.al (2014) confirm the proposition by Esuha and Fletcher (2002) that though the Kenya's small business sector has rapidly grown, the individual enterprises have not had such growth that is associated with small- scale enterprises' inability to grow and expand to enterprises that are medium–size. This argument shows that there are strong barriers to direct entry into the medium-scale formal sector that is private known as the 'missing middle'. One of the barriers is on levels of financial development characterized by access to finance by the SMEs, pooling of savings by the SMEs, allocation of capital on productive investments and sharing of risks amongst the SMEs. Rigito (2010) opine that while there is an indication from statistics that there are high business birth rates, the death or stagnation rates are equally high of these businesses again pointing to existence of such barriers.

Wanyama(2011) identified access to credit due to lack of collateral as an SME constraint, Elly and Kaijage (2017) established that variations in entrepreneur's networks, firm growth and earnings volatility significantly influence access to external finance.Njagi, Kimani and Kariuki (2017) portray that SMEs have greater preference for contribution from friends and profit plough-back as a source financing in the form of equity as traditional financing by equity has a relationship that is positive withSMEs financial performance. Angel investors as a form of equity financing has not gained acceptance as a source of finance. Nganga and Gichira (2017) established that technological capacities and human resource capacities affect growth of Agribusiness Micro and Small Enterprises. From the foregoing, it is not clear on how growth of Small and Medium Manufacturing Enterprises (SMMEs) which are a pillar in the government twin development agenda for manufacturing and job creation in general is affected by financial development. The study therefore sought to fill the gap by studying the effect of financial development initiatives and the growth of small and medium manufacturing enterprises in Nairobi County.

1.3 Objective of the Study

1.3.1 General Objective

The general objective is to determine the effect of financial development initiatives on the growth of SMMEs in Nairobi County.

1.3.2 Specific Objective

(i) To analyze the effect of access to finance on growth of SMMEs in Nairobi County

(ii) To investigate the effect of pooling of savings on growth of SMMEs in Nairobi County

(iii) To determine the effect of allocation of capital on growth of SMMEs in Nairobi County

1.4 Research Questions

Specifically, the study seeks to answer questions on what are the effects of:

(i) Access to finance on growth of SMMEs in Nairobi County?

(ii) Pooling of savings on growth of SMMEs in Nairobi County?

(iii)Allocation of capital on growth of SMMEs in Nairobi County?

1.5 Justification of the Study

The study will give contribution towards filling the information gap on the subject matter. The study findings will add significant additions to the literature field of the financial development and enterprise growth. Consequently, this stimulates further interest in the field of financial development initiatives and small enterprise growth. The study will be important to SMMEsas there will be an appreciation of the impact of financial development on their growth and profitability drawing from the best of the study recommendations. The lessons from the study can be used by the operators of the micro enterprises to improve operations. The findings of the study will also encourage specifically those who prospect to start up their own micro enterprises.

The study also will be important in the development of government policy papers, financial development role on the counties SMMEs growth will be brought out. Knowledge will be available to policy makers on how well incorporation of financial development in the growth of SMMEs hence economic development of counties. The suggestions from the study would lead to new orientation in formulation and implementation of policies affecting financial development which could enhance growth of SMMEs in Kenya.

The Nairobi County Government will benefit from this study finding. The results of the study will reveal the extent to which SMMEs operating in Nairobi County have benefited from financial development. This will be a spur to even increased financial development initiatives leading to establishment of new micro enterprises, growth of the existing micro enterprises and other industries.

Finally, information on the study matter will be given from the results of the study. The findings of the study hopefully will make valuable additions to the literature in the financial development field and the growth of SMMEs. Consequently, this will stimulate further interest in the field of growth of SMMEs and financial development from the academia.

1.6 Scope of the Study

The researcher looked at the effect of financial development initiatives on growth of SMMEs in manufacturing sector in Nairobi County, Kenya with reference to pooling of savings, allocation of capital on profitability and access to finance on financial performance of SMMEs.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviews financial development theories under which the study was anchored. Furthermore, the chapter also looked at the determinants of financial development initiatives and growth of SMMEs and studies that have been done on the variables under study. The chapter concluded with a look at empirical review on financial development initiatives on growth of SMEs with research gaps and a summary of the literature review.

2.2 Theoretical Review

This section reviews the theories under which the study is anchored. The focus of the study was financial development initiatives. Theories of financial development seek to explain what happens to the general overall growth of SMEs in Nairobi County based on the financial development in terms of products, presence and accessibility of financial services in Kenya.

2.2.1 Financial Liberalization Theory

The theory of Financial Liberalization forwarded by McKinnon (1973) and Shaw (1973) is premised on the argument that the higher the real rate of interest, the greater the degree of financial deepening, the more saving there will be, and financial saving will be invested and allocated more efficiently as compared to when saving is invested directly in the sector in which it takes place devoid of financial intermediation as explained by Thirlwall (2005).

In this theory presented by McKinnon (1973) and Shaw (1973) wherein differences in financial prices causes a reduction in the financial system real size in relation to the non-financial system. This can cause a slowdown to the real rate of growth of the economy. The assumptions of this theory are that there is increasing function of saving on the real rate of interest on deposits and real rate of growth in output. Furthermore, that investment real loan rates of interest are a decreasing function and increasing function of the growth rate. The environment where investment opportunities are plentiful but which has a repressed financial system, in order to have investment that is more efficient is to increase the return to savers that is the real interest rate according to this theory. The conclusion of the theory is that financial restrictions alleviation in countries that are developing (through allowing market forces majorly to determine real interest rates) has a likelihood of exerting an effect that is positive on the growth rates as there occurs a rise in interest rates toward market equilibrium competitiveness. Ceilings that are artificial ceilings, according to this tradition, on interest rates a savings reduction, accumulation capital, and the efficient allocation of resources discouragement. Furthermore, McKinnon (1973) poised that financial repression that can cause dualism whereby companies that have funding that is subsidized tends to have choices on technologies that are relatively capital-intensive.

As explained by Sen and Vaidya (1997), the Neo Keynesian view held that interest rates should be kept low in order to promote capital formation. This guided several developing countries in economic planning with directed credit programmes and interest rate controls. The McKinnon (1973) and Shaw (1973) proposition that country with indiscriminate financial prices distortions including interest rates and exchange rates are financially repressed. The financial repression is characterized by heavy taxation, interest rate controls and government participation in the credit allocation process which leads to decrease in depth of the financial system and a loss in efficiency, with which savings are intermediated. Kenya has tried to liberalize the financial system save for interest capping in commercial banks and this theory is underpinned by the assumptions of non-government participation in direct credit allocation to sectors including the manufacturing sector implying absence of financial repression. This explains the financial development initiatives in an emerging economy framework.

2.2.2 Neo-classical Growth Model

The theory was contributed by Solow (1956). The theory assumes constant return to scale, marginal productivity of capital that is diminishing, technical progress that is exogenously determined and capital and labor substitutability. The major innovation introduced by Solow was to allow for factor substitutability so that stable equilibrium growth could be obtained. Highlights from the model result are that savings or investment ratios are significant growth economy that is short-run determinant. Progress that is technologically driven, though significant in the long-run is taken to be exogenous the economic system. Consequently, the model cannot examine it adequately. On the convergence issue, there is convergence model that predicts growth rates on the basis that economies that are poor will have a faster growth in comparison to those that are rich.

The Solow (1956) model believes that a sustained increase in capital investment increases the growth rate only temporarily. This is because the ratio of capital to labour goes up, there is more capital available for each worker to use, but the marginal product of additional units of capital is assumed to decline. The economy eventually moves back to a long-term growth path, with real GDP growing at the same rate as the workforce plus a factor to reflect improving “productivity”. A "steady-state growth path" is reached when output, capital and labour are all growing at the same rate, so output per worker and capital per worker are constant. Neo-classical economists believe that to raise an economy's long term trend rate of growth requires an increase in the labour supply and an improvement in the productivity of labour and capital. Differences in the rate of technological change are said to explain much of the variation in economic growth between developed countries. The neo-classical model treats productivity improvements as an "exogenous" variable meaning that productivity is assumed to be independent of capital investment (IMF, 2001). Adoption of technology for financial intermediation is studied in the literature as improving access to financial services. It is for this reason that financial technology adoption is recognized as a financial development initiative.

2.2.3 Endogenous Growth Theory

Romer (1986), Lucas (1988), and Rebelo (1991) developed endogenous growth theory as a response to criticisms that had been waged on the neo-classical growth models. The endogenous growth theory holds that policy measures can have an impact on the long-run growth rate of an economy. The theory emphasizes the role of capital, both physical and human, as the main determinant of growth. Technological role in progress as a key driver on economic growth long-run has been scrutinized from recent studies that are more recent, which accept increasing returns to capital that are constant. The preposition by these theories are endogenous give a preposition that the new accumulation factors introduction for instance on innovation and knowledge will cause economic growth that is self-maintained.

Romer (1986) and Lucas (1988) seminal studies, highlighted three significant sources of growth; new knowledge Grossman and Helpman, (1991), innovation Aghion and Howitt, (1992), and public infrastructure (Barro,1991) substantially have a role to play in advancing growth on a long-run basis. The debate on convergence /divergence the suggestion by the endogenous growth models would not at all occur (This is due to the fact that there is a rise in returns to scale).

Jhingan (2006) highlight that the endogenous growth model emphasizes technical progress resulting from the rate of investment, the size of the capital stock and the stock of human capital. In an endogenous growth model, Nnanna(2004) observed that financial development can affect growth in three ways, which are: raising the efficiency of financial intermediation, increasing the social marginal productivity of capital and influencing the private savings rate. This theory therefore confirms that a financial institution can affect growth of enterprises by efficiently carrying out its functions, among which the provision of credit and information sharing amongst the enterprises. Carrying of the functions of financial institutions is aided by financial market development initiatives.

2.3 Empirical Review

An empirical works reviews reveals existing relationships between financial development initiatives and growth of SMEs. This was based on an assumption that areas that have access to financial development have a high level of growth of SMEs hence economic development. The level of financial development is viewed in terms of initiatives; pooling of savings by entrepreneurs, Allocation of Capital by the entrepreneurs and Access to finance by the entrepreneurs.

2.3.1 Pooling of Savings and Growth of SMMEs

Lingelbach, De La Vina&Asel (2005) explain that whereas opportunities that are entrepreneurial in nature tend to be broader. Furthermore, strategies that are resultant being naturally self-hedging in countries that are developing, family savings and personal savings that are limited and lack of innovation financially limits severely the prospects for growth of startups that are promising in countries that are developing. This is an indication that the developing markets do not have well developed financial systems that allow the entrepreneurs to pool their savings.

Grave (2003) posit that reflecting on the entrepreneurial success unpromising odds, the majority of financing internally comprises of SMEs in most countries that are developing. Emerging markets entrepreneurs heavily rely on sources of finance that are informal for their businesses start-ups; sources from these places provide 87%and 100% of the capital from outside raised by entrepreneurs. This proposition also confirms the view that developing countries may lack developed financial infrastructure to accelerate the growth of SMMEs.

Specific options for financing available to Nigeria SMEs according to Akingunola (2011) reveals the vital role finance plays in the small scale business performance given by the indication of capital availability and profit making prosperity of small scale business high correlation. The revelation of this study is on the existing gap in MSMEs financing to the economic and population benefit, that is, the "absence" of long-term funding of equity type. Absence of equity finance in most developing countries is thus a recipe for non-existent financial development.

Ma & Yi (2010) study the facts and explanations about the Chinese corporate, household and government savings and conclude that these add substantially to China's high and rising savings rates. What distinguishes China from the rest of the world therefore is an exceptionally high aggregate savings rate. It is notable that there is no single theory that can explain the Chinese phenomenon. On one hand, evidence appears that China's fast economic growth and high saving rate are principally a function of subsidies and distortions. On the other hand, there is the proposition that some structural forces may have not received sufficient attention. The structural forces include those associated with rapid economic growth, structural transformation, and compressed demographic transition in the provinces, large-scale corporate restructuring, and the household and government responses to institutional changes as well as to the expected acceleration of population ageing in one decade from now.

A study by Mokua (2013) focused on the effect of management skills and collateral measures on growth of SMEs in Kenya. The study used descriptive research design and collected data among SMEs in Kisii County. The results revealed that lack of access to finance affected growth of SMEs and that bureaucratic procedures were the reason for insufficient finances to the enterprises from the monetary organizations. The study thus confirms that entrepreneurial finance as a challenge exacerbated by low levels of financial development explains the lack of enterprise growth in developing countries.

Athukorala and Tsai (2003) investigated the source of variations in household savings rates in Taiwan. Using a standard life cycle framework, a saving function is estimated which captures the impact of population dynamics, growth of disposable income, social security contribution, credit availability and financial reforms. The framework also accounts for the impact of corporate and government saving on household saving. The results of the study confirm the importance of income expansion as a key source of impressive saving performance. There is evidence of a virtuous circle linking growth and saving. Aging of the population, changes in social security contributions, and the availability of institutional credit for households are other significant determinants of saving performance.

In Albania, Hashi (2001) reckon that early transition period witnessed the rapid growth of Albanian SMEs despite the fact that the country was subjected to several severe shocks, especially those associated with the collapse of the pyramid schemes and the war in Kosovo. The growth of small enterprises in agriculture, trade, services, and construction, with microenterprises constituting the bulk of SMEs, has been the engine of growth and contributed to the long-term recovery of Albanian economy. However, the growth of SMEs has been hampered by a variety of barriers erected, directly or indirectly, by the state. Fiscal constraints particularly high rate of taxes and contributions, financial constraints and the institutional environment have been some of the major barriers they have had to surmount. These barriers have encouraged many firms to conduct some or all of their activities in the informal sector of the economy. The survey of fifty SMEs established since 1992 highlights the difficulties faced by these enterprises in the environment of early transition. The econometric evidence confirms the role of financial barriers to SME growth, especially when they are combined with the poor institutional environment. The results show that the government has to embark on SME policies designed to disseminate the information on support programmes widely, and to speed up the reform of the financial system, legal framework and law enforcement.

Mshenga, Richardson, Njehia and Birachi (2010) underscore that tourism is an increasingly important economic sector in many developing countries. In Kenya, it represents the second greatest contribution to gross domestic product (GDP) after agriculture. Data from a survey of 449 micro and small enterprises (MSEs) in coastal Kenya were used in a modified Evans growth model to examine the contribution of tourism to the growth of farm and non-farm Mses. The authors also examined the influence of entrepreneur and business characteristics on the growth of farm and non-farm MSEs along the Kenyan Coast. The age of the business, business income, marital status, number of employees and form of business organization were found to influence MSE growth significantly. Tourist spending and activities were also found to have a significant effect on MSE growth. The results have implications for the role of tourism in economic development, small business growth and poverty alleviation.

Leahy, Schich, Wehinger, Pelgrin and Thorgeirsson (2001) examined the role played by the financial systems in OECD countries and how they affect resource allocation and growth. It provides evidence suggesting that legal and regulatory framework conditions for financial systems, and particularly their enforcement and transparency, support innovation and investment in new enterprises. In addition, using dynamic panel regression techniques, the study finds significant relationships between investment and financial development, as measured by indicators of the scale of financial activity. Evidence is also found of significant relationships between financial development and growth, over and above the links via investment, indicating impacts via overall economic efficiency.

Loayza, Schmidt-Hebbel and Servén (2000) investigate empirically the policy and non - policy factors behind the saving disparities among countries using a large, cross- country, time-series data set. The findings suggest that Private saving rates show inertia; that is, they are highly serially correlated even after controlling for other relevant factors. The effects of a change in a given saving determinant are thus fully realized only after a number of years, with long-run responses estimated to be more than two times larger than short-run (within a year) ones. Private saving rates rise with the level and growth rate of real per capita income. The influence of income is larger in developing than in developed countries. In developing countries, a doubling of income per capita is estimated, other things equal, to raise the long run private saving rate by some ten percentage points of disposable income. Likewise, a rise of one percentage point in the growth rate raises the private saving rate by a similar amount. The overall implication is that policies that spur development are an indirect but effective way to raise private saving rates.

Nissanke (2001) examines some critical gaps in the financial infrastructure in sub-Saharan Africa, which have contributed to the poor performance of productive investment by private agents. The evidence points to a sizeable shortfall in the provision of enterprise finance in sub-Saharan Africa which is directly related to the fragmentation of financial markets. Recommended reform measures have excessively emphasized the need for a policy shift to liberalization, without adequate consideration of the need for institution-building to improve and diversify financial services to serve dynamically evolving demand on the part of private enterprises.

2.4.2 Allocation of Capital and Growth of SMMEs

Popa and Ciobanu (2014) sought to identify the functionality and profitability of SMEs as impacted by financial factors. The managerial decisions results indicated that an investment can decisively influence the SMEs profitability more so during the period of economic instability. The profitability of the firms is operationalized by the indicators such as return on equity (ROE), return on invested capital (ROIC). The ratio measures of performance in this study however excluded the growth aspects which are a comparative of current period and previous period's levels of performance.

Olutunla and Obamuyi (2008) using fixed-effects regression model investigated empirically profitability, bank loans, age of business and the size of small and medium enterprises in Nigeria. The demonstration from the results was that there is interdependence between the SMEs profitability and bank loans. There was also relationship that is significant between profitability and the size of business. In order to experience high profits, increased loans and growth in size of business remain vital.

Baños-Caballero, García-Teruel and Martínez-Solano (2012) expound on the argument that working capital management affects small and medium enterprises risks and profitability. The study explored the associations between working capital management and profitability of non-financial Spanish small and medium enterprises for five-year period between 2002 to 2007. The study is a departure from the studies that presume a linear relationship and adopts a quadratic relationship approach. The study established a concave relationship amongst working capital levels and profitability of firms. The study outcome thus confirmed that firm's allocation of funds to optimal working capital levels maximizes their profitability and that profitability diminishes as they drift away from the optimal levels. This investigation can be further probed in a growth scenario on change in allocation and change in performance over time.

Carpenter and Petersen (2002) examine the theory that growth rate of small firms depend on the availability of internal finance. With a panel data of more than 1,600 small firms, the study found that a typical firm retains all of its income and raises relatively little external finance. The results suggest that growth of most small firms is constrained by internal finance, together with a small leverage effect. Firms that make heavy use of new share issues exhibit growth rates far above what can be supported by internal finance.

In Pakistan, Raheman, et al. (2010) highlights the proposition that working capital plays a significant role towards the better performance of the manufacturing firms. With a ten year balanced panel data for 204 listed manufacturing firms, the study finds that the working capital attributes namely; cash conversion cycle, net trade cycle and inventory turnover in days are significantly affecting the performance of the manufacturing enterprises. The manufacturing firms are affected by their collection and payment policies. The findings infer that financial leverage, sales growth and firm size also have an effect on the profitability of the manufacturing firms. The study concluded that other than following conservative working capital management policies, the firms should formulate and improve their collection and payment policies which points on funds allocated to such roles.

Cull and Xu (2003) explain variations in the sources of finance for a sample of Chinese enterprises from 1980-95 using their general characteristics (including sector, physical capital, number of employees, and lagged productivity), the level of government responsible for oversight, and their reform experience. Direct government transfers were negatively associated with past productivity throughout much of the period. Despite institutional arrangements that severely impeded effective financial intermediation, bank finance was positively linked to both past productivity and some types of reform. In particular, reforms that offered managers additional discretion and those that enabled managers to self-select and thus expose themselves (and their employees) to greater risk, were positively associated with acquiring bank finance.

Wurgler (2000) reckon that financial markets appear to improve the allocation of capital. Across countries, those with developed financial sectors increase investment more in their growing industries, and decrease investment more in their declining industries, than those with undeveloped financial sectors. The efficiency of capital allocation is negatively correlated with the extent of state ownership in the economy, positively correlated with the amount of firm specific information in domestic stock returns, and positively correlated with the legal protection of minority investors. In particular, strong minority investor rights appear to curb overinvestment in declining industries.

Webb, Grace and Skipper (2000) explain that banks and insurers should contribute to economic growth by facilitating the efficient allocation of capital. To test their roles in growth, a Solow model with a set of productivity parameters is estimated. Identified endogeneity is controlled for using an iterated three stage least squares simultaneous estimation with exogenous instruments as key variables. The exogenous components of banking and life insurance penetration are found to be robustly predictive of increased productivity across 55 countries for the 1980-1996 period, after controlling for the impact of education, exports, government displacement of the private sector, and investment on growth. The results also suggest that higher levels of banking and insurance penetration jointly produce a greater effect on growth than would be indicated by the sum of their individual contributions.

2.4.3 Access to Finance and Growth of SMMEs

Wamiori, Sakwa and Namusonge (2016) examined the effect of access to finance on financial performance of manufacturing firms in Kenya. The key findings were that access to finance had a positive influence on the financial performance of manufacturing firms. There was linear relationship between access to finance and manufacturing firm's financial performance which was significant.

Andoh and Nunoo (2011) examined how financial literacy influences the utilization of financial services by SMEs in Ghana. In the study, a survey of 556 SMEs operating in Accra Ghana was carried out and the conclusion arrived at from the study is that financial literacy is crucial in stimulating both the financial and the SME sectors. When entrepreneurs have got financial training or knowledge, they are able to borrow, repay promptly save more, and better manage their risks which will help speed overall financial development.

Fatoki andAsah (2011) conducted a study to establish the impact of firm and entrepreneurial characteristics on access to debt finance by SMEs in South Africa. The setting of the study was in South Africa, where through a survey and using questionnaire, data was collected from a sample of 150 SMEs. From the study, it was concluded that lack of collateral by SMEs is a major setback in the effort to access debt finance. Equally important too, it was discovered, managerial incompetency and lack of business information by the entrepreneurs also explain why SMEs missed out on the finances availed by banks and other financial institutions.

Augusto *et al* (2010) tried to explore the truth of the common notion that banks generally have no interest in transacting with SMEs and that only a few specific banks that contact businesses with SMEs employ relationship lending. They reviewed secondary data from several financial institutions from 12 different countries in an effort to establish the factors, kinds and the degree of involvements that banks have with SMEs.From the review conducted, the study revealed that all banks whether local or international, small or large, are expanding their operations and developing tailor made services towards serving SMEs because of the important strategic positioning that banks now place the SMEs in their plans. Banks are now developing new business models, technological, and risk management systems towards serving the SMEs. They therefore came to the conclusion that relationship lending is important but that it is not the only way in which banks interact with SMEs, and that other interactions are equally important.

Muthoka (2012) examined the link between micro financing products and financial sustainability among SMEs in Nairobi East District. Primary data was used in the study and regression model to establish the relationship. The findings revealed that micro credit and financing products had led to financial sustainability among SMEs. This study has widened the scope of investigation. There is a consideration to fill the contextual knowledge gap by focusing on not just Nairobi East but the entire County as a whole so as to enhance heterogeneity and reach more conclusive findings.

Nyabuga (2013) studied on the effect of informal financing in improving access to credit for small and micro-enterprises operated by women in Kibera. The findings of the study were that informal financing is instrumental in improving access to credit for small and micro-enterprises operated by women in Kibera leading to their empowerment. Correlation results showed a positive and significant association with access to credit, management and the growth of the enterprises operated by the women. The study also concluded that informal financial sectors have a positive effect on the growth of SMEs in Kibera.This study has widened the scope of investigation. There is a consideration to fill the contextual knowledge gap by focusing on not just Kibera but the entire County as a whole so as to enhance heterogeneity and reach more conclusive findings.

Osoro and Muturi (2013) undertook a case study of micro financial institutions in Kisii town in an effort to establish the role of micro financial institutions on the growth of SMEs in Kenya. The main focus of this study was to determine the effect of credit, the role of training, and the role of savings accounts on the growth of SMEs. The population of the study comprised of the SMEs operating in Kisii town where a sample of 100 SMEs was drawn. With a response rate of 90% of the total sample, the researchers established that accessibility to credit affects the performance of the SMEs positively, i.e. the easier the access to credit, the higher the Performance of SMEs. On training, the study concluded that provision of training to SMEs especially on loan repayment had a positive impact on the SMEs Performance. Also cheaper and easily accessible savings account facilities were found to have a direct positive impact on the financial performance of the SMEs under study.

Beck and Demirguc-Kunt (2006) summarizes recent empirical research which infers that access to finance is an important growth constraint for SMEs that financial and legal institutions play an important role in relaxing this constraint, and that innovative financing instruments can help facilitate SMEs' access to finance even in the absence of well - developed institutions. The research suggests that a competitive business environment, of which access to finance is an important component, facilitates entry, exit and growth of firms and is therefore essential for the development process. A focus on improving the business environment for all firms is more important than simply trying to promote a large SME sector which might be characterized by a large number of small but stagnant firms.

Beck and Demirguc-Kunt (2006) underscore that though SMEs constitute a significant part of total employment in many countries, one of the reasons they may not be able to contribute to economic growth is because they face greater growth obstacles. Indeed, compared to large firms, SMEs are more constrained by different obstacles, and limited access to finance is an important one of these. Research therefore suggests that improving legal and financial institutions helps all deserving firms to access finance and grow, but the effect is greatest on smaller firms. Both firm-level and industry-level studies suggest that small firms do relatively better compared to large firms in countries with better-developed institutions. Research also shows that in the absence of well - developed financial markets and legal systems, it is difficult for firms to grow to their optimal size since outside investors cannot prevent appropriation by corporate insiders, limiting firm size. This is important for SME-promotion strategies, since if it is optimal for firms to stay small when the business environment has weaknesses, subsidizing SMEs may be at best ineffective, but at worst, counterproductive.

2.5 Critique of Related Literature

SMEs operate in an environment where there are minimal savings and higher rates of borrowing explained by the risk attitudes of the capital providers. This thus implies credit rationing for SMEs even in liberalized financial markets. In this era of Technovation, there are SMEs that capitalize on technology for delivery of products and services. Financial service providers are equally reliant on Technology in providing financial services. These imply that the SMEs initial conditions of financial deficit may explain the lack of acceleration as they are unable to acquire competitive technology.

Literature by Wisegcck (2002) alludes to financial factors like interest rates and collateral for loans and how they affect financial access. It is however inconclusive on sustainable levels of interest rates for firm growth both for savings and on loans. Further, SMEs tend to have alternative collateral schemes that traditional literature does not delve into. From the foregoing literature, the evidence is clear that empirical evidences on the financial development determinants give results that are conflicting. For instance, empirical proof was provided by Osoro and Muturi (2013) that financial development and growth of SMEs have a positive relationship whereas Fatok and Asah (2011) riveted a conclusion of an existing relationship that is negative between financial development and growth of SMEs. This brings into question the methodological and study setting influences on the findings.

2.6 Research Gaps

Although the importance of financial development on the growth of SMMEs is widely held. Empirical evidence shows a wide variation exists though its general significance is not yet generalized. Studies done previously have focused on either growth of SMMEs, performance of SMMEs, micro financing products, financial sustainability and determinants of access to finance for SMMEs including; training, owner demographics and savings behavior of owners.

Though the researchers conclude that accessibility to credit affects the performance of the SMEs positively, i.e. the easier the access to credit, the higher the performance of SMEs, it is not clear on how SMME growth in general is affected by financial development initiatives given the significance of the SMME segment on achieving the Government development agenda while at the same time pursuing the sustainable development goals. Further, the small business industry is presented and lauded as a rapid growth segment with potential employment generation opportunities. Unfortunately, the individual enterprises have not experienced such growth which is attributable to small- scale enterprises' being unable to grow and move to enterprises that are medium – size implying that the Small businesses die or are otherwise stagnated. The role of financial development in this is yet to be conclusively investigated.

Table 2.1: Research gaps

Author	Focus of Study	Findings	Research gaps	How current study will address the gap
Andoh and Nunoo (2011)	How financial literacy influences the financial services utilization of by SMEs in Ghana	The study determined that financial literacy is crucial in stimulating both the financial and the SME sectors.	Thestudy focused on financial literacy and it was done in Ghana that has a different tax regime for the one in Kenya.	The current study will focus on effect of financial development initiatives on the growth of SMEs and will be carried out in Kenya.
Fatoki and Asah (2011)	Impact of firm and entrepreneurial characteristics on access to debt finance by SMEs in South Africa	The study established that lack of collateral by SMEs is a major setback in the effort to access debt finance	The study did focus on financial development and was carried out in South Africa	The study will focus in Kenya
Augusto *et al*(2010)	Explored the truth of the common notion that banks generally have no interest in transacting with SMEs and that only a few specific banks that contact businesses with SMEs employ relationship lending	The study revealed that all banks whether local or international, small or large, are expanding their operations and developing tailor made services towards serving SMEs.	The study did not reveal how the the financial services offered to SMEs by banks affects the growth of SMEs in Kenya	The current study will establish how financial services affect growth of SMMEs in Kenya
Muthoka	The link between	The findings revealed	The study focused	This study will

(2012)	micro financing products and financial sustainability among SMEs in Nairobi East District.	that micro credit and financing products had led to financial sustainability among SMEs	on Nairobi East and not the entire County.	focus on the SMMEs in Nairobi county so as to enhance heterogeneity and reach more conclusive findings
Mokua (2013)	The effect of management skills and collateral measures on growth of SMEs in Kenya.	The results revealed that lack of access to finance affected growth of SMEs and that bureaucratic procedures were the reason for insufficient finances to the enterprises from the monetary organizations.	The study focused on management skills as a whole and did not take a particular interest on financial development	This study will take a particular focus on financial development initiatives.
Nyabuga (2013	Studied on the effect of informal financing in improving access to credit for small and micro-enterprises operated by women in Kibera	The findings of the study were that informal financing is instrumental in improving access to credit for small and micro-enterprises operated by women in Kibera leading to their empowerment	The study concentrated on improving credit access to for small and microenterprises operated by women but not the growth of SMEs	This study will focus on SMMEs growth in Nairobi county

Osoro and Muturi (2013)	Undertook a case study of MFs in Kisii town in an effort to establish the role of micro financial institutions on the growth of SMEs in Kenya.	The key findings suggested that the researchers established that accessibility to credit affects the performance of the SMEs positively, i.e. the easier the access to credit, the higher the Performance of SMEs	The study focused on the Kisii town and did not cover the whole of the county which has many SMEs into consideration	The study will focus on Nairobi county into consideration.

2.7 Conceptual Framework

The relationship between the dependent and independent variables is provided by the conceptual framework and is used in research to outline possible courses of action or preferred approach to the research subject (Mugenda & Mugenda, 2003).A critical review of the literature shows some studies that have been done to establish the effect of financial development on the growth of SMEs.Muthoka (2012in a study established thata relationship that is significant between micro credit and financing products, growth and financial sustainability among SMEs.Osoro and Muturi (2013) established that accessibility to credit affects the performance of the SMEs positively, i.e. the easier the access to credit, the higher the Performance of SMEs.Nyabuga (2013) determined informal financing is instrumental in improving access to credit for small and micro-enterprises operated by women in Kibera leading to their empowerment.

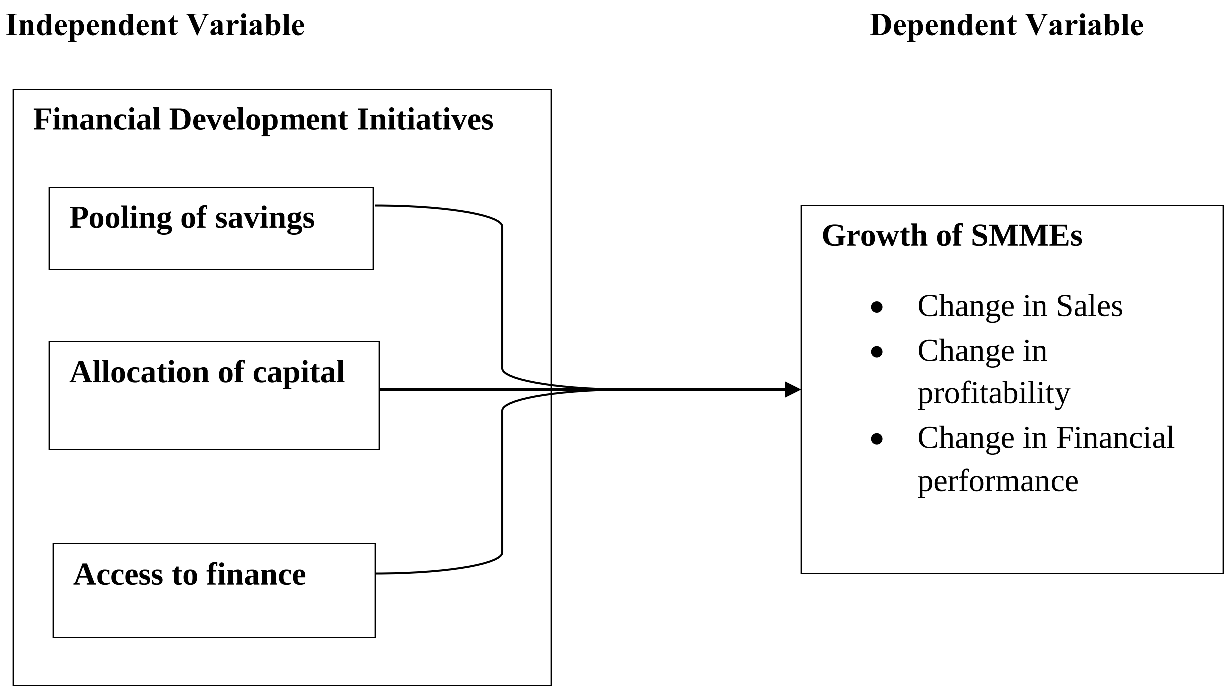

Figure 1: Conceptual Framework

Source: Author (2018)

2.7.1 Operationalization of Variables

Table 2.2: Operationalization of Variables

Variable	Operational Indicators	Measurement Scale
Financial development	Pooling of Savings	Likert scale of ratio 1 to 5 where 1 represents not at all, 2- least extent, 3- moderate, 4- great extent and 5 very great extent
	Allocation of Capital	Likert scale of ratio 1 to 5 where 1 represents not at all, 2- least extent, 3- moderate, 4- great extent and 5 very great extent
	Access to Credit	Likert scale of ratio 1 to 5 where 1 represents not at all,

		2- least extent, 3- moderate, 4- great extent and 5 very great extent
Growth of SMMEs	Change in Sales	Likert scale of ratio 1 to 5 where 1 represents not at all, 2- least extent, 3- moderate, 4- great extent and 5 very great extent
	Change in Profitability	Likert scale of ratio 1 to 5 where 1 represents not at all, 2- least extent, 3- moderate, 4- great extent and 5 very great extent
	Change in Financial Performance	Return on Asset (ROA)
	Change in Financial Performance	Return on Equity (ROE)

2.7.2 Research Hypothesis

The study's alternative hypotheses was as follows:

H_1: There is a statistically significant relationship between pooling of savings and the growth of SMMEs in Nairobi County

H_2: There is a statistically significant relationship between allocation of capital and the growth of SMMEs in Nairobi County

H_3: There is a statistically significant relationship betweenaccess to credit and financial performance of SMMEs in Nairobi County

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section describes the method, techniques and strategies that was used to address the research problem. It provides information on research design that will be employed in the study, population of the study, Sampling and sampling technique, data collection technique, data reliability and validity and concludes with data analysis technique that was used.

3.2 Research Design

A research design is a scheme; outline that by which answers to various research to problems are generated. Descriptive research design systematic, empirical design in which direct control is not held by researcher and does not have the independent variable as their manifestation has already occurred or because they inherently cannot be manipulated(Mugenda&Mugenda,2008). This study applied descriptive research design. According to Creswell (2008), the descriptive method of study is used to obtain data about the already existing condition. Consequently, the emphasis was on describing instead of judging and interpreting.

3.3 Target Population

A population is the total collection of elements on which we want to do some inferences (Cooper &Schindler, 2003). The study targeted population of 451 small and medium sized enterprises in manufacturing industry in Nairobi County who are members of Kenya Association of Manufacturers (KAM) as per attached list in Appendix II.

3.4 Sample and Sampling Technique

The study selected the sample proportion in concurrence with the Krejcie and Morgan (1970) table which is presented in Appendix III. The sample size was 210 respondent firms proportionately distributed across different categories under the Kenya Association of Manufacturers. The sample was distributed as shown in the Table 3.1 below:

Table 3.1: Sample Size Distribution

No.	SMME Category	No. of firms	Proportion (%)	Sample Size
1.	Chemical and Allied	61	13.53	28
2.	Energy, Electrical and Electronics	33	7.32	15
3.	Food and Beverage	99	21.95	46
4.	Leather and Footwear	7	1.55	3
5.	Metal and Allied	39	8.65	18
6.	Motor Vehicle and Accessories	21	4.66	10
7.	Mining and Construction	15	3.33	7
8.	Paper and Board	57	12.64	27
9.	Pharmaceuticals	21	4.66	10
10.	Plastic	56	12.42	26
11.	Textiles	28	6.21	13
12.	Timber	14	3.10	7
Total		**451**	**100.0**	**210**

3.5 Data Collection

The study usedprimary data that was collected using structured questionnaires, both open and closed formatted questions as well as questions presented in likert-type scales. A questionnaire is free from interviewer's biases and can be administered to a large number of respondents (Kothari, 2009).The researcher employed drop and pick later means of distributing the questionnaires in order to save time and ensure that respondents fill them in. Primary data was collected from 210SMMEs in Nairobi County using a semi-structured questionnaire herein attached as Appendix 1.

3.5.1 Pre-testing

For useful results to be provided by a questionnaire according to Orodho (2004), there must be validity and reliability in the questions. Reliability measures the relevance of the questions included in the questionnaire. Validity refers to the instrument ability to test what it is supposed to be tested. The researcherwas able to receive feedback that was valuable on how questions were to be recorded and restructured from pre-testing. Research instruments need to be pre-tested to promote clarity of instruments to be used. The objective of promotingclarity is to make sure information that is accurate is collected and remove any revealed deficiencies during the exercise of pre-testing (Mugenda, 1999). Pre-testing of the questionnaire was conducted and was not allowed to be part of the main study. In determining the reliability of the instrument, the researcher administered five questionnaires to owners of the SMMEs who was consequentially not included in the Study. To ascertain the reliability of study, internal consistency was determined using Cronbach's Alpha coefficient. A computed coefficient of 0.70 or more was to be an indication that the research instruments had a high degree of data reliability. The norm in establishing content validity of research instruments is to appoint an expert in the particular field where the researcher intends to study. In this particular study, the researcher readily sought the opinion of the research supervisor so as to assess the validity of the research instruments.

3.5.2 Diagnostic Tests

Tests for homoscedasticity and multicollinearity was also conducted to minimize the chances that the data collected may have to influence the decisions to reject or not to reject the hypothesis. To test for homoscedasticity, Levene test (1960) for equality will be computed using one-way ANOVA procedure. It was used to assess the equality of variances for a variable calculated for two or more groups. The level of significance for the study was$\alpha=5\%$, for $p \geq 0.05$ fail to reject, while for $p<0.05$ was rejected and conclude that there was a difference between variances of the population.

Multicollinearity in this study was tested using variance inflation factor (VIF) and Tolerance levels. The reciprocal of tolerance which is known as the variance inflation factor (VIF) indicates how much the variance of the coefficient estimate is being inflated by multicollinearity. A VIF for all the study variables less than 3 ($VIF \leq 3$) will indicated no multicollinearity while a VIF of ≥ 3 will indicated collinearity and more than 10 will indicated a problem with multicollinearity.

Established Tolerance Statistics values below 0.1 indicated a serious problem while Tolerance statistics below 0.2indicateda potential problem.

3.6 Data Analysis Techniques

This involves interpreting data collected from respondents once the questionnaires have been completed and collected from each respondent. With the help of spread sheets, Compilation of the results was by use of data editing, data sorting, data coding to develop relationships. The respondent answers were rated on a five point Likert scale. In this proposed model, each observed response (from 1 to 5) had a common and partially underlying factor. The statistical tool for the analysis was the statistical package for social sciences (SPSS) which was used to conduct correlation and regression analysis. Charts, frequency distribution tables, and bar charts played a great role in the presentation of the study results.

3.6.1 Model Specification

In order to determine the effects of financial development initiatives on the growth of SMEs in Nairobi County, the researcher used the following analytical model to carry out a multiple regression analysis.

$Y=\beta_0+\beta X_1+\beta X_2+\beta X_3+\varepsilon$

Where,

Y= the dependent variable (Growth of SMEs as measured by ROA & ROI)

β_0= Constant (coefficient of intercept)

X_1= Pooling of Savings

X_2= Allocation of Capital

X_3= Access to Credit

β_1, β_2, β_3 are the regression coefficients or change introduced in Y by each independent variable

ε= is the random error term accounting for all other variables that affect the growth of SMEs' but not captured in the model.

In order to test the significance of the model in measuring the relationship between financial development initiatives and growth of SMMEs, this study conducted an Analysis of Variance (ANOVA). On extracting the ANOVA statistics, the researcher looked at the significance value. The study was tested at 95% confidence level and 5% significance level.

CHAPTER FOUR

ANALYSIS, RESULTS AND DISCUSSIONS

4.0 Introduction

This chapter comprised of data analysis, findings and interpretation. Results were presented in tables and diagrams. The analyzed data was arranged under themes that reflected the research objectives.

4.1Response Rate

The number of questionnaires that were managed was 250. A total of 210 questionnaires were correctly filled and returned. This represented an overall efficacious response rate of 84% as shown on Table 4.1. Mugenda and Mugenda (2003) and Kothari (2004) recommend an answer rate of above 50% is acceptable for descriptive study. Babbie (2004) also proclaimed that return rates of above 50% are acceptable to investigate and publish, while a rate of 60% and 70% is good and very good respectively.

From these claims of well-known scholars, 84% got from this study is very good. Thus the response rate of 84% showed a very strong answer rate.

Table 4.1: Response Rate

Response	Frequency	Percent
Returned	210	84
Unreturned	40	16
Total	250	100.0

4.2 Demographic Characteristics

This segment consists of evidence that defines basic physiognomies such as gender, age, kind of manufacturing business firms operate, number of years the SMME has been in operation, number of financial institutions operating at the business location and efficiency of lending services by financial institutions.

4.2.1 Gender of the respondents

The respondents specified their gender. The male were the majority of the respondents which was 54.8% of the sample whereas 45.2% were female. This implies that most finance managers and accountant positions in the small and medium manufacturing enterprises are male dominated. There is a gender balance which gives the female a chance to work in finance department as either accountants or finance managers.

Table 4.2: Gender of Respondents

Gender	Frequency	Percent
Female	95	45.2
Male	115	54.8
Total	210	100.0

4.2.2 Age of the respondents

Respondents indicated their age brackets with the majority of the respondents being 33.3%, the bracket of 40-49 years had 33.3%, and the age bracket of 34-39 years was 25.7%,the age bracket of 50 years and above was 23.8% while 28-33 years and 18-27 years were 8.6% respectively. This implies that most of the employees working as either finance managers or accountants arebetween40-49 years of age who are well experienced and understand the operations of the organization well.

Table 4.3: Age of Respondents

Years	Frequency	Percent
18 to 27 years	18	8.6
28 to 33 years	18	8.6
34 to 39 years	54	25.7
40 to 49 years	70	33.3
50 and above	50	23.8
Total	210	100.0

4.2.3 Kind of business operated

The kind of business operated was one of the parameters of the questionnaire. As shown in table 4.4, food and beverage dominated by 49.9%, followed by others which included pharmaceuticals, timber among others by 35.2%, mining and construction with 13.3%, textile and apparels with 5.7% and Chemical and allied with 3.8%.

Table 4.4 : Kind of business operated

Kind of business	Frequency	Percent
Chemical & Allied	8	3.8
Textile & Apparels	12	5.7
Mining and Construction	28	13.3
Food & Beverage	88	41.9
Other (Specify	74	35.2
Total	210	100.0

4.2.4 Total number of years the SMME has been in operation

Most of the firms have been in operation between 1-3 years, followed by less than a year since most SMMEs do not grow to see their 5th birthday. The SMMEs that have been in operation for 5-10 and 10 years and above are mostly the medium enterprises which grew from small enterprises.

Table 4.5: Total number of years the SMME has been in operation

Years	Frequency	Percent
Less than 1 year	54	25.7
1-3 years	62	29.5
3-5 years	33	15.7
5-10 years	38	18.1
More than 10 years	23	11.0

4.2.5 Number of Financial Institutions in area of operation

There are less than 50 financial institutions within the location of SMMEs as shown in table 4.6 with 75.2%.

Table 4.6: Total number of years the SMME has been in operation

Number of firms	Frequency	Percent
Less than 50 firms	158	75.2
50-100 firms	52	24.8
Total	210	100.0

4.2.6 Number of Financial Institutions in area of operation

The study shows that a greater percentage of SMMEs are located there exists microfinance institutions as shown in table 4.7 and most firms are members of these microfinance institutions as shown in table 4.8

Table 4.7: Microfinance institutions in location of SMMEs

Presence	Frequency	Percent
Yes	174	82.9
NO	36	17.1
Total	210	100.0

Table 4.8: Member of a Microfinance institution

Member	Frequency	Percent
A member of the microfinance	149	71.0
Seeking their services despite not being a member	61	29.0
Total	210	100.0

4.2.7 Evaluation of the efficiency of the lending services by financial institutions

The study shows that a greater percentage of SMMEs face challenges in terms of efficiency in the lending services as shown in table 4.9.

Table 4.9: Evaluation of the efficiency of the lending services by financial institutions

Presence	Frequency	Percent
Very high	10	4.8
High	35	16.7
Average	58	27.6
Low	65	31.0
Very low	42	20.0
Total	210	100.0

4.3 Post Estimation Tests

Other assumptions can only be ascertained after running the regression. These post estimation tests include Heteroscedasticity – (non-uniformity of errors) and the general behavior of residuals. These tests are important to ascertain that the data used in the study followed normal distribution or whether some transformation is required. The following were the post estimation tests performed and the results thereof:

4.3.1VIF test for Multicollinearity

This test was carried out after regression to confirm the pretest indicated earlier on normality and multicollinearity of data. The results obtained are presented in Appendix IV and give a mean VIF of 1.83 which is less than the set threshold of 10 when the variables are perfectly collinear. Sosa-Escudero (2015) indicated that if VIF=1, then no correlation, if VIF is greater than 5 but less than 10 then there is moderate correlation and if VIF is greater than 10 then this indicates high correlation. This therefore confirms that there is no multicollinearity in the variables used in line with the pre-test done on the data.

4.3.2 Test for Heteroscedasticity

Ordinary least square results are rendered biased if the pattern of errors does not remains constant throughout the observations (Gujarati, 2009). This is referred to as the

Heteroskedasticity problem, and to minimize the residuals were subjected to graphical and non-graphical Breusch-Pagan test after regression. The Breusch-Pagan test tested that the error variances were constant throughout the observation unless the results prove otherwise. The results obtained and presented in Appendix 11posted a p value of 0.000 at 95% confidence level therefore the study concluded that there was presence of Heteroskedasticity in the model. The residual plots showed that the error term (Ɛ) was normally and identically distributed with constant variance and a mean of zero. This means that the error variance was not constant in growth of SMMES corporate hence the data was Heteroscedasticity and robust standard error was used to rectify the constant error.

4.3.3 Histogram test for normality

This study tested for normality of the three variables using the stem and leaf graphical display where normality of data was confirmed when a superimposed curve covering the bar graphs is bell shaped. The histogram test results are presented in Appendix VI. This test further confirms the Shapiro Wilk pre-test that the data used in the study was distributed normally allowing the use of OLS technique for the data analysis.

4.4 Descriptive Statistics

This division represents the descriptive outcomes on pooling of savings, allocation of capital, access to credit and growth of SMMEs.

Pooling of savings was undertaken in order to determine the extent to which it has enabled financial institutions to open savings account in a five point Likert scale. The range was 'not at all (1)', 'small extent' (2), moderate extent (3), great extent (4) and very great extent (5). The scores of not at all have been taken to represent a variable which had a mean score of less than 2.8 on the continuous Likert scale. The scores of 'small extent' have been taken to represent a variable with a mean score of 3.9 on the continuous Likert scale. The scores of 'moderate extent', great extent and very great extent have been taken to represent a variable with a mean score of 4.0-4.on a continuous Likert scale. A standard deviation of > 0.9 implies a significant difference on the impact of the variable among respondents.

4.4.1 Pooling of savings

The pooling of savings was the first objective of the study on growth of SMMES. The respondents responded to statements on pooling of savings. Rated on a five Likert scale, the responses were as obtainable in Table 4.9. The respondents were in agreement that the financial institutions have enabled them to access loans as a result of the savings with a mean score of 4.3. The low standard deviation of 0.84 indicates that the variation among the respondents was low. The respondents were further in agreement that pooling of savings has resulted to a successful long term relationship with the bank and also the financial institutions have enabled firms to save some money (mean=4.2); The respondents were further in agreement that interest rates are reasonable, the firms embraces pooling of savings and also pooling of savings has resulted to a successful long term relationship with the bank (Mean 4.2) and that finally reinvestment of savings have not led to expansion of SMMEs with a mean of 2.8 . The high standard deviation of 1.088 indicates that there was high variation among the respondents.

Table 4.9: pooling of savings

	N	Mean	Std. Deviation
Reinvestment of savings have led to expansion of my business	210	2.8857	1.45302
Financial institutions have enabled me to open a savings account	210	3.9238	.96041
Financial Institutions have helped to reinforce the culture of savings	210	3.9714	1.05320
Financial institutions support pooling of savings	210	3.9762	1.02803
The savings have enabled me to pool funds and reinvest in the business	210	3.9952	1.07382
Interest rates are reasonable	210	4.0762	1.09103

The enterprise embraces pooling of savings	210	4.1857	.92223
Pooling of savings has resulted to a successful long-term relationship with the bank	210	4.2571	.93858
Financial Institutions have enabled me to save some money	210	4.2810	.91354
Financial institutions have enabled me to access loans as a result of the savings	210	4.3619	.84857

4.4.2 Allocation of capital

The next objective of the study was to establish the effect of allocation of capital on growth of SMMES in Kenya. The results were that there is relatively low risk diversification as the enterprise allocates funds to various investments and that the enterprises do not allocate adequate funds to the working capital stream (mean 3.4). The enterprises rarely allocate capital to viable investment and that there is capital rationing when it comes to capital investments.

The standard deviation of 1.1 indicates that there was great variation among the respondents.

Table 4.10: Allocation of capital

Allocation of capital	N	Mean	Std. Deviation
Capital is allocated to viable investments	210	3.3238	1.24120
There are enough fund allocated to capital investments without rationing	210	3.3952	1.19847
There is risk diversification as the enterprise allocates funds to various investments	210	3.4476	1.33040

The enterprise allocate adequate funds to the working capital stream	210	3.4619	1.23000

4.4.3 Access to Credit

The third objective was to determine the effect of access to credit on growth of SMEs in Kenya.that The results presented in table 4.11 shows that the respondents were not in agreement The results presented in table 4.11 shows that the respondents were in agreement that there is competition among financial institutions for clients (4.0). There are relatively low large and small financial institutions serving SMMEs in Nairobi and also there are many requirements on access of financial services (3.8). The standard deviation of 0.9indicates that there was high variation among the respondents' requirements to access finance.

Table 4.12: Access to Credit

Access to credit	N	Mean	Std. Deviation
There are less requirements on access of financial services	210	3.8429	1.14042
There is Competition among financial institutions for clients	210	4.0667	.90471
There are Large financial institutions serving SMMEs in Nairobi	210	3.8714	.96723
There are Small financial institutions serving SMMEs in Nairobi	210	3.8571	1.07096
There are less requirements on access of financial services	210	3.8429	1.14042

4.3.5Growth of SMMEs

The variable on growth of SMMEs was also subjected using Likert Scale. Results in table 4.13 show that (mean=.4.0) of the respondents agreed that there is an increase in the number of products overtime which depicts growth in terms of size of the enterprise. A mean of 3.9 also show that there has been an increase in their sales overtime. (Mean=3.9) of the respondents agreed that there has been an increase in profitability of the firm and branches over time while (mean=3.6) of the respondents agreed that there has been an annual increase in return on the assets.

On an average Likert scale the responses had an overall mean of 3.5 which indicated that the respondents agreed to the majority of the questions asked at moderate extent. The standard deviation of 1.1 indicates that the responses were varied.

Table 4.4.13: Growth of SMMEs

Growth of SMMEs	N	Mean	Std. Deviation
There has been an annual increase in our return on assets	210	3.6286	1.15545
There has been an annual increase in the profitability of our firm	210	3.8143	1.20953
There has been an increase in our branches/ outlets over time	210	3.8857	1.10946
There has been increase in our sales over time	210	3.9571	.99908
There has been an increase in our products over time	210	4.0286	1.07567
There has been an annual increase in our return on investments	210	4.1095	.92927
Average			

4.5 Inferential Statistics

Correlation results were generated by inferential analysis, model of fitness, and analysis of the regression coefficients and variance.

4.5.1Correlation Analysis

The relationship between the dependent and the independent variable indicators were examined using correlation analysis using Pearson correlation coefficient (r) and p-value analysis, a correlation was perceived significant when the probability value was below 0.05 (p-value ≤ 0.05). Correlation values (r) close to zero meant a weak relationship and r close to one meant a strong correlation existed

Table 4.7 below represents the results of the correlation analysis. The results revealed that pooling of savings and growth of SMMEs are positively and significant related (r=0.656, p=0.00). The table further indicated that allocation of capital and growth of SMMEs are positively and significantly related (r=0.586, p=0.000). It was also established that access to credit and growth of SMMEs were positively and significantly related (r=0.736, p=0.000). This implies that an increase in any unit of the variables leads to growth of SMMEs.

Table 4.64: Correlation Matrix

		Growth of SMMES	Pooling of saving	Allocation of capital
Growth of SMMES	Pearson Correlation	1	.656**	.586**
	Sig. (2-tailed)		.000	.000
	N	210	210	210
Pooling of saving	Pearson Correlation	.656**	1	.605**
	Sig. (2-tailed)	.000		.000

	N	210	210	210
Allocation of capital	Pearson Correlation	.586**	.605**	1
	Sig. (2-tailed)	.000	.000	
	N	210	210	210
Access to credit	Pearson Correlation	.736**	.601**	.601**
	Sig. (2-tailed)	.000	.000	.000
	N	210	210	210

4.5.2 Regression Analysis

The results in table 4.9 represent the fitness of model used of the model regression in elucidating the study phenomena. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Growth of SMMEs) that is explained by all the three independent variables (pooling of savings, allocation of capital and access to credit). The three independent variables studied explain only 61% of growth of SMMEs in Nairobi County. This therefore means that other factors not studied in this research contribute 39% of the Small and Medium Manufacturing Enterprises growth.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788[a]	.621	.615	.51260

Table 4.4: Model Fitness

4.4.3 Analysis of Variance

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant.

Table 4.9 provides the results on the analysis of variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors of growth of SMEs. This was supported by an F statistic of 112.365 and the reported p value (0.000) which was less than the conventional probability of 0.05significance level.

Table 4.7 : Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	88.574	3	29.525	112.365	.000[b]
1	Residual	54.128	206	.263		
	Total	142.702	209			

a. Dependent Variable: growth of SMMES

b. Predictors: (Constant), access to credit, allocation of capital, pooling of saving

4.5.4 Regression Coefficients

Regression of coefficients results in table 4.16. As regards, pooling of savings, the results show that; T=5.008 and p-value =0.000 since $p<0.05$ at $\alpha=0.05$ level of significant there exist enough evidence to conclude that the pooling of savings is less than 0.005, hence, that appreciating the study conclusion that pooling of savings is useful as a predictor of growth.

Allocation of capital was equally tested and from these result T=1.950, p-value=0.053 at α =0.05 level of significant; there exist enough evidence to conclude that the allocation of capital on investments is not zero and hence, the way firms allocate funds in various investment is useful as a predictor of performance.

As regards, access to credit, the results show that; T=8.532 and p-value =0.000 sincep<0.05 at α=0.05 level of significant there exist enough evidence to conclude that the access to credit is less than 0.005, hence, that appreciating the study conclusion that access to credit by SMMES is useful as a predictor of growth.

Table 4.16: Regression of Coefficients

From the data, the established regression equation was

$Y = 0.088 + 0.365x_1 + .094x_2 + 0.522x_3$

The model shows access to credit as having a positive coefficient, which showed that they were directly proportional to growth. This mean that a unit increases in pooling access to credit increases the growth with 0.522 unit and a unit increase in pooling of savings will increase the growth by 0.365. The results obtained in table indicted that when all the variables are zero, that is internal audit standard =0, and information system then the performance will increase byunit.0.088.

In conclusion, the inferential statistic showed that growth of SMMES was explained by independent variable; pooling of savings and access to credit, therefore appreciating that pooling of savings and access to credit were the predictor of organization performance.

Table 4.16 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

(Constant)	.088	.229		.386	.700
Pooling of saving	.365	.073	.291	5.008	.000
Allocation of capital	.094	.048	.113	1.950	.053
Access to credit	.522	.061	.494	8.532	.000

Dependent Variable: growth of SMMES

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives reports on the summary of the findings, the conclusions and the recommendations. This is done with respect to the objectives of the study.

5.2 Summary of Findings

This section provides a summary of the findings from the analysis. This is done in line with the objectives of the study.

5.2.1 Pooling of savings

The first objective of the study was to establish the effect of pooling of savings on growth of SMMEs in Nairobi, Kenya. The findings revealed that pooling of savings has a positive and significant effect on the growth of SMMEs in Nairobi, Kenya. This is also supported by the statements which majority of the respondents agreed.

These findings agree with Sen and Vaidya (1997), the Neo Keynesian view which held that interest rates should be kept low in order to promote capital formation. This guided several developing countries in economic planning with directed credit programmes and interest rate controls and as a result the capital formed is used for development purposes which promote economic development and growth of the enterprise.

5.2.2 Allocation of capital

The second objective of the study was to establish the allocation of capital on growth of SMMES in Nairobi, Kenya. Results reveal that the ways firms allocate capital to various investments have a positive and significant on growth of SMMEs in Kenya.

This finding agree with that of Olutunla and Obamuyi (2008) using fixed-effects regression model investigated empirically profitability, bank loans, age of business and the size of small and medium enterprises in Nigeria. The demonstration from the results was that there is interdependence between the SMEs profitability and bank loans. There was also relationship that is significant between profitability and the size of business.

In addition, this finding agrees with that of Baños-Caballero, García-Teruel and Martínez-Solano (2012) expound on the argument that working capital management affects small and medium enterprises risks and profitability. The study explored the associations between working capital management and profitability of non-financial Spanish small and medium enterprises for a five-year period between 2002 to 2007. The study is a departure from the studies that presume a linear relationship and adopts a quadratic relationship approach. The study established a concave relationship amongst working capital levels and profitability of firms. The study outcome thus confirmed that firm's allocation of funds to optimal working capital levels maximizes their profitability and that profitability diminishes as they drift away from the optimal levels.

5.2.3 Access to credit

The third objective of the study was to establish the effect of access to credit on growth of SMMEs in Nairobi, Kenya. The access to credit has a significant and positive effect on growth of SMMEs in Nairobi, Kenya.

This finding agrees with that of Wamiori, Sakwa and Namusonge (2016) examined the effect of access to finance on financial performance of manufacturing firms in Kenya. The key findings were that access to finance had a positive influence on the financial performance of manufacturing firms. There was linear relationship between access to finance and manufacturing firm's financial performance which was significant.

In addition, this finding agrees with that of Beck and Demirguc-Kunt (2006) that summarizes recent empirical research which infers that access to finance is an important growth constraint for SMEs, that financial and legal institutions play an important role in relaxing this constraint, and that innovative financing instruments can help facilitate SMEs' access to finance even in the absence of well - developed institutions. The research suggested that a competitive business environment, of which access to finance is an important component, facilitates entry, exit and growth of firms and is therefore essential for the development process

5.3 Conclusions

From the findings, the study concluded that pooling of savings by firms will promote the relationship with the financial institutions and this will ensure efficiency when they are seeking for funds needed for investment which in turn brings firms growth such as opening new branches.

Based on the findings also the study concluded that the way firms allocate capital in different investment projects also determines growth and requires expertise so as to ensure risk diversification which may lead to high profits thus growth of the firm.

Finally, the study concluded that access to credit has a strong association with the growth of small and medium manufacturing enterprises. Collateral is key when it comes to debt financing.

5.4 Recommendations

The following recommendations based on the study findings are suggested to help boost financial development initiatives such as pooling of saving, allocation of capital and access to credit to ensure growth of small and medium manufacturing enterprises.

The study established that the pooling of savings plays a vital role in improving the relationship between SMMEs and financial institutions. The KMA should come up with ways in which they can control and encourage pooling of savings by the firms.

The study recommends that the firms (small and medium) in the manufacturing sector should ensure qualified personnel with relevant expertise so as to ensure that allocation of capital is made on viable investments with high returns and embracing risk diversification as this will promote growth of the said firms for instance in terms of profitability.

The study also recommends that KMA should come up and/or formulate policies meant to increase accessibility of financial services by SMMEs state corporations in Kenya. This will give financial institutions confidence to lend to the said firms thus promoting their financial performance.

5.5 Limitations of the study

The major limitation of the study was that it focused only on one county, the use of additional couties may have provided greater insights to the study topic.

Some finance mangers and accountants were reluctant to fill in the questionnaires and some did not return them at all. Some of the questionnaires I had issued were not given back.

The study concentrated on manufacturing sector only, the use of additional sectors may have provided greater insights to the study topic.

5.6 Areas for Further Studies

The study sought to find the effects of financial development initiatives on growth of small and medium manufacturing enterprises in Nairobi, Kenya. This called for the analysis of SMMEs only, thus area for further studies could consider other sectors such as transport and also consider similar research in other counties such as Embu for purpose of making a comparison of the findings with those of the current study.

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APPENDICES

Appendix I: Questionnaire

Dear Participant,

My name is Lydia Njue, a student of MSc Development Finance from KCA University. I am conducting research that investigates the effect of financial development initiatives on the growth of SMMEs in Nairobi county. This research is purely for academics' purposes. I am assuring you that all the information provided in this survey will be kept confidential and anonymous. Your cooperation in this regard is highly appreciated.

Thank you.

Section A:

1. Gender? Female [ ] Male [ ]

2. Age? 18 to 27 [ ] 28 to 33 [ ] 34 to 39 [ ] 40 to 49 [ ] 50 and above [ ]

3. What kind of manufacturing business do you operate?

Chemical & Allied [ ]
Textile &Apparels [ ]
Mining and Construction [ ]
Food & Beverage [ ]
Other (Specify)………………………………………………………………………...

4. Total number of years the SMME has been in operation

Less than 1 year [ ]
1-3 years [ ]
3-5 years [ ]
5-10 years [ ]
More than 10 years [ ]

5. How many financial institutions operate around your area of operation?

Less than 50 firms [ ]
50-100 firms [ ]

More than 100 firms [ ]

6. Are there microfinance institutions operating at your business loaction?

Yes [ ]

No [ ]

If yes above, are you:

a) A member of the microfinance [ ]

b) Seeking their services despite not being a member [ ]

7. What is your evaluation of the efficiency of the lending services by financial institutions?

Very high [ ] High [ ] Average [ ] Low [ ]Very low [ ]

Section B: Financial Development

Pooling of Savings

8. To what extent do you agree with the following statements

Very great extent =5 Great extent =4 Moderate extent =3 Small extent =2 Not at all=1

Statement	**1**	**2**	**3**	**4**	**5**
Financial institutions have enabled me to open a savings account					
Financial institutions support pooling of savings					
Financial Institutions have enabled me to save some money					
Interest rates are reasonable					
The enterprise embraces pooling of savings					
Pooling of savings has resulted to a successful long-term relationship with the bank					
Financial institutions have enabled me to access loans as a result of the savings					
Financial Institutions have helped to reinforce the culture of savings					
The savings have enabled me to pool funds and reinvest in					

the business					
Reinvestment of savings have led to expansion of my business					

Allocation of Capital

9. To what extent do you agree with the following statements

Very great extent =5 Great extent =4 Moderate extent =3 Small extent =2 Not at all=1

Statement	**1**	**2**	**3**	**4**	**5**
Capital is allocated to viable investments					
There is risk diversification as the enterprise allocates funds to various investments					
The enterprise allocate adequate funds to the working capital stream					
There are enough fund allocated to capital investments without rationing					

Access to Credit

10. To what extent do you agree with the following statements

Very great extent =5 Great extent =4 Moderate extent =3 Small extent =2 Not at all=1

Statement	1	2	3	4	5
There are less requirements on access of financial services					
There is Competition among financial institutions for clients					
There are Large financial institutions serving SMMEs in Nairobi					
There are Small financial institutions serving SMMEs in Nairobi					

Section C: Growth of SMEs

11. To what extent do you agree with the following statements

Very great extent =5 Great extent =4 Moderate extent =3 Small extent =2 Not at all=1

Statement	1	2	3	4	5
There has been increase in our sales over time					
There has been an increase in our products over time					
There has been an increase in our branches/ outlets over time					
There has been an annual increase in the profitability of our firm					
There has been an annual increase in our return on assets					
There has been an annual increase in our return on investments					

Section D: Other Determinants of Growth of SMEs

12. What should be done in order to eliminate the hinderances to the growth of SMEs (Select one from the list below)

[ ] Relying on self-regulation by financial institutions

[ ] Strengthening supervision and management of financial institutions

[ ] Regulating competition within the industry

[ ] Increasing incentives to the growth of microfinance institutions

[ ] Emphasizing on the training of SMEs on financial services available to them

[ ] Formulating policies meant to increase accessibility of financial services by SMEs

Appendix II: Members of Kenya Association of Manufacturers

	Company_Name	Sector	Chapter
1	Crown Berger Kenya Ltd	Chemical & Allied	Nairobi & Surrounding Areas
2	Magadi Soda Company Ltd	Chemical & Allied	Nairobi & Surrounding Areas
3	Reckitt Benckiser (E.A.) Ltd	Chemical & Allied	Nairobi & Surrounding Areas
4	Unilever Kenya Ltd	Chemical & Allied	Nairobi & Surrounding Areas
5	Beiersdorf East Africa Ltd	Chemical & Allied	Nairobi & Surrounding Areas
6	BOC Kenya Limited	Chemical & Allied	Nairobi & Surrounding Areas
7	Sadolin Paints (E.A.) Ltd	Chemical & Allied	Nairobi & Surrounding Areas
8	Sara Lee Kenya Limited	Chemical & Allied	Nairobi & Surrounding Areas
9	Twiga Chemical Industries Limited	Chemical & Allied	Nairobi & Surrounding Areas
10	Interconsumer Products Ltd	Chemical & Allied	Nairobi & Surrounding Areas
11	Osho Chemicals Industries Ltd	Chemical & Allied	Nairobi & Surrounding Areas
12	Procter & Gamble East Africa Ltd	Chemical & Allied	Nairobi & Surrounding Areas
13	PZ Cussons & Company Limited	Chemical & Allied	Nairobi & Surrounding Areas
14	Strategic Industries Limited	Chemical & Allied	Nairobi & Surrounding Areas
15	Syngenta East Africa Ltd	Chemical & Allied	Nairobi & Surrounding Areas
16	Vitafoam Products Limited	Chemical & Allied	Nairobi & Surrounding Areas
17	Bayer East Africa Ltd	Chemical & Allied	Nairobi & Surrounding Areas
18	Colgate Palmolive (E.A.) Ltd	Chemical & Allied	Nairobi & Surrounding Areas
19	Cooper K- Brands Ltd	Chemical & Allied	Nairobi & Surrounding Areas

20	Desbro Kenya Limited	Chemical & Allied	Nairobi & Surrounding Areas
21	Henkel Kenya Ltd	Chemical & Allied	Nairobi & Surrounding Areas
22	Match Masters Ltd	Chemical & Allied	Nairobi & Surrounding Areas
23	Supa Brite Ltd	Chemical & Allied	Nairobi & Surrounding Areas
24	Super Foam Ltd	Chemical & Allied	Nairobi & Surrounding Areas
25	Tri-Clover Industries (K) Ltd	Chemical & Allied	Nairobi & Surrounding Areas
26	Basco Products (K) Ltd	Chemical & Allied	Nairobi & Surrounding Areas
27	Buyline Industries Ltd	Chemical & Allied	Nairobi & Surrounding Areas
28	Canon Chemicals Ltd (former United Chemicals Ltd)	Chemical & Allied	Nairobi & Surrounding Areas
29	Carbacid (CO2) Limited	Chemical & Allied	Nairobi & Surrounding Areas
30	Coates Brothers (E.A.) Limited	Chemical & Allied	Nairobi & Surrounding Areas
31	Decase Chemicals (Ltd)	Chemical & Allied	Nairobi & Surrounding Areas
32	Deluxe Inks Ltd	Chemical & Allied	Nairobi & Surrounding Areas
33	European Perfumes & Cosmetics Co. Ltd	Chemical & Allied	Nairobi & Surrounding Areas
34	JohnsonDiversey East Africa Limited	Chemical & Allied	Nairobi & Surrounding Areas
35	Kel Chemicals Limited	Chemical & Allied	Nairobi & Surrounding Areas
36	Odex Chemicals Ltd	Chemical & Allied	Nairobi & Surrounding Areas
37	Orbit Chemical Industries Ltd	Chemical & Allied	Nairobi & Surrounding Areas
38	Synresins Ltd	Chemical & Allied	Nairobi & Surrounding Areas
39	Chemicals and Solvents (EA) Ltd	Chemical & Allied	Nairobi & Surrounding Areas
40	Chrysal Africa Ltd	Chemical & Allied	Nairobi & Surrounding Areas

41	Galaxy Paints & Coating Co. Ltd	Chemical & Allied	Nairobi & Surrounding Areas
42	Grand Paints Ltd	Chemical & Allied	Nairobi & Surrounding Areas
43	Kemia International Ltd	Chemical & Allied	Nairobi & Surrounding Areas
44	Ken Nat Ink & Chemicals Ltd	Chemical & Allied	Nairobi & Surrounding Areas
45	Maroo Polymers Ltd	Chemical & Allied	Nairobi & Surrounding Areas
46	Murphy Chemicals Ltd	Chemical & Allied	Nairobi & Surrounding Areas
47	Blue Ring Products Ltd	Chemical & Allied	Nairobi & Surrounding Areas
48	Continental Products Ltd	Chemical & Allied	Nairobi & Surrounding Areas
49	Crown Gases Ltd	Chemical & Allied	Nairobi & Surrounding Areas
50	Oasis Ltd	Chemical & Allied	Nairobi & Surrounding Areas
51	PolyChem East Africa Ltd	Chemical & Allied	Nairobi & Surrounding Areas
52	Soilex Chemicals Ltd	Chemical & Allied	Nairobi & Surrounding Areas
53	Anffi Kenya Ltd	Chemical & Allied	Nairobi & Surrounding Areas
54	Metoxide Africa Ltd	Chemical & Allied	Nairobi & Surrounding Areas
55	Rumorth EA Ltd	Chemical & Allied	Nairobi & Surrounding Areas
56	Seweco Paints Ltd	Chemical & Allied	Nairobi & Surrounding Areas
57	Elex Products Ltd	Chemical & Allied	Nairobi & Surrounding Areas
58	Faaso Exporters Ltd	Chemical & Allied	Nairobi & Surrounding Areas
59	Kridha Limited	Chemical & Allied	Nairobi & Surrounding Areas
60	Revolution Stores Ltd	Chemical & Allied	Nairobi & Surrounding Areas
61	Saroc Ltd	Chemical & Allied	Nairobi & Surrounding Areas
	Company_Name	**Sector**	**Chapter**

1	Libya Oil Kenya Limited.(Formerly Mobil Oil Kenya)	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
2	Kenya Power & Lighting Co. Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
3	Kenya Shell Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
4	IberaAfrica Power (EA) Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
5	Nationwide Electrical Industries Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
6	East African Cables Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
7	Eveready Batteries East Africa Limited	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
8	Eveready Batteries East Africa Limited	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
9	Metsec Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
10	Power Technics Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
11	Amedo Centre Kenya Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
12	Kenwest Cables Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
13	Reliable Electricals Engineers (Nrb) Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
14	Specialised Power Systems Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
15	Avery (East Africa) Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
16	Baumann Engineering Limited	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
17	Digitech East Africa Limited	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
18	Holman Brothers (E.A) Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
19	International Energy Technik Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
20	Marshall Fowler (Engineers) Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
21	Mustek East Africa	Energy, Electrical & Electronics	Nairobi & Surrounding Areas

22	PCTL Automation Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
23	AssaAbloy East Africa Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
24	Aucma Digital Technology africa Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
25	Centurion Systems Limited	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
26	Metlex International Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
27	Modulec Engineering Systems Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
28	Optimum Lubricants Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
29	Pentagon Agencies	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
30	Socabelec (EA) Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
31	Virtual City Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
32	Biogas Power Holdings (EA) Ltd	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
33	Synergy-Pro	Energy, Electrical & Electronics	Nairobi & Surrounding Areas
	Company_Name	**Sector**	**Chapter**
1	Bidco Oil Refineries Ltd	Food & Beverage	Nairobi & Surrounding Areas
2	British American Tobacco Kenya Ltd	Food & Beverage	Nairobi & Surrounding Areas
3	Brookside Dairy Ltd	Food & Beverage	Nairobi & Surrounding Areas
4	Coca-Cola East Africa Ltd	Food & Beverage	Nairobi & Surrounding Areas
5	Del Monte Kenya Ltd	Food & Beverage	Nairobi & Surrounding Areas
6	Kapa Oil Refineries Ltd	Food & Beverage	Nairobi & Surrounding Areas
7	Kenafric Industries Limited	Food & Beverage	Nairobi & Surrounding Areas
8	London Distillers (K) Ltd	Food & Beverage	Nairobi & Surrounding Areas
9	Mastermind Tobacco (K) Ltd	Food & Beverage	Nairobi & Surrounding Areas

10	Nairobi Bottlers Ltd	Food & Beverage	Nairobi & Surrounding Areas
11	Spin Knit Dairy Ltd	Food & Beverage	Nairobi & Surrounding Areas
12	East African Breweries Ltd	Food & Beverage	Nairobi & Surrounding Areas
13	Farmers Choice Ltd	Food & Beverage	Nairobi & Surrounding Areas
14	Kenchic Ltd	Food & Beverage	Nairobi & Surrounding Areas
15	Kenya Wine Agencies Limited	Food & Beverage	Nairobi & Surrounding Areas
16	Premier Flour Mills Ltd	Food & Beverage	Nairobi & Surrounding Areas
17	Wrigley Company (E.A.) Ltd	Food & Beverage	Nairobi & Surrounding Areas
18	Broadway Bakery Ltd	Food & Beverage	Nairobi & Surrounding Areas
19	Cadbury Kenya Ltd	Food & Beverage	Nairobi & Surrounding Areas
20	East African Sea Food Ltd	Food & Beverage	Nairobi & Surrounding Areas
21	Excel Chemicals Ltd	Food & Beverage	Nairobi & Surrounding Areas
22	Frigoken Ltd	Food & Beverage	Nairobi & Surrounding Areas
23	Kenblest Limited	Food & Beverage	Nairobi & Surrounding Areas
24	Kenya Tea Development Agency	Food & Beverage	Nairobi & Surrounding Areas
25	Mini Bakeries (Nbi) Ltd	Food & Beverage	Nairobi & Surrounding Areas
26	NAS Airport Services Ltd	Food & Beverage	Nairobi & Surrounding Areas
27	Nestle Foods Kenya Ltd	Food & Beverage	Nairobi & Surrounding Areas
28	Rafiki Millers Ltd	Food & Beverage	Nairobi & Surrounding Areas
29	Unga Group Ltd	Food & Beverage	Nairobi & Surrounding Areas
30	W. E. Tilley (Muthaiga) Ltd	Food & Beverage	Nairobi & Surrounding Areas
31	Capwell Industries Ltd	Food & Beverage	Nairobi & Surrounding Areas

32	Corn Products Kenya Ltd	Food & Beverage	Nairobi & Surrounding Areas
33	Corn Products Kenya Ltd	Food & Beverage	Nairobi & Surrounding Areas
34	Crown Foods Ltd	Food & Beverage	Nairobi & Surrounding Areas
35	Crown Foods Ltd	Food & Beverage	Nairobi & Surrounding Areas
36	Deepa Industries Ltd	Food & Beverage	Nairobi & Surrounding Areas
37	Giloil Company Limited	Food & Beverage	Nairobi & Surrounding Areas
38	Kenya Nut Company Ltd	Food & Beverage	Nairobi & Surrounding Areas
39	Manji Food Industries Ltd	Food & Beverage	Nairobi & Surrounding Areas
40	Mjengo Limited	Food & Beverage	Nairobi & Surrounding Areas
41	Nairobi Flour Mills Ltd	Food & Beverage	Nairobi & Surrounding Areas
42	Pembe Flour Mills Ltd	Food & Beverage	Nairobi & Surrounding Areas
43	Premier Food Industries Limited	Food & Beverage	Nairobi & Surrounding Areas
44	Softa Bottling Co. Ltd	Food & Beverage	Nairobi & Surrounding Areas
45	Super Bakery Ltd	Food & Beverage	Nairobi & Surrounding Areas
46	Trufoods Ltd	Food & Beverage	Nairobi & Surrounding Areas
47	Uzuri Foods Ltd	Food & Beverage	Nairobi & Surrounding Areas
48	Alpha Fine Foods Ltd	Food & Beverage	Nairobi & Surrounding Areas
49	Aquamist Ltd	Food & Beverage	Nairobi & Surrounding Areas
50	Breakfast Cereal Company (K) Ltd	Food & Beverage	Nairobi & Surrounding Areas
51	C. Dormans Ltd	Food & Beverage	Nairobi & Surrounding Areas
52	East African Seed Co. Ltd	Food & Beverage	Nairobi & Surrounding Areas
53	Edible Oil Poducts	Food & Beverage	Nairobi & Surrounding Areas

54	Insta Products (EPZ) Ltd	Food & Beverage	Nairobi & Surrounding Areas
55	Jambo Biscuits (K) Ltd	Food & Beverage	Nairobi & Surrounding Areas
56	Karirana Estate Ltd	Food & Beverage	Nairobi & Surrounding Areas
57	Kenya Sweets Ltd	Food & Beverage	Nairobi & Surrounding Areas
58	Kevian Kenya Ltd	Food & Beverage	Nairobi & Surrounding Areas
59	Patco Industries Limited	Food & Beverage	Nairobi & Surrounding Areas
60	Proctor & Allan (E.A.) Ltd	Food & Beverage	Nairobi & Surrounding Areas
61	Sigma Supplies Ltd	Food & Beverage	Nairobi & Surrounding Areas
62	ValuePak Foods Ltd	Food & Beverage	Nairobi & Surrounding Areas
63	Africa Spirits Ltd	Food & Beverage	Nairobi & Surrounding Areas
64	Alpine Coolers Ltd	Food & Beverage	Nairobi & Surrounding Areas
65	Bio Food Products Limited	Food & Beverage	Nairobi & Surrounding Areas
66	Blue Nile Wire Products Ltd	Food & Beverage	Nairobi & Surrounding Areas
67	Carlton Products (EA) Ltd	Food & Beverage	Nairobi & Surrounding Areas
68	Eastern Produce Kenya Ltd(Kakuzi)	Food & Beverage	Nairobi & Surrounding Areas
69	Erdemann Co. (K) Ltd	Food & Beverage	Nairobi & Surrounding Areas
70	Gonas Best Ltd	Food & Beverage	Nairobi & Surrounding Areas
71	Highlands Canners Ltd	Food & Beverage	Nairobi & Surrounding Areas
72	Jetlak Foods Ltd	Food & Beverage	Nairobi & Surrounding Areas
73	Kwality Candies & Sweets Ltd	Food & Beverage	Nairobi & Surrounding Areas
74	Miritini Kenya Ltd	Food & Beverage	Nairobi & Surrounding Areas
75	Nicola Farms Ltd	Food & Beverage	Nairobi & Surrounding Areas

76	Palmhouse Diaries Ltd	Food & Beverage	Nairobi & Surrounding Areas
77	Promasidor (Kenya) Ltd	Food & Beverage	Nairobi & Surrounding Areas
78	Razco ltd	Food & Beverage	Nairobi & Surrounding Areas
79	Spice World Ltd	Food & Beverage	Nairobi & Surrounding Areas
80	Usafi Services Ltd	Food & Beverage	Nairobi & Surrounding Areas
81	Al-Mahra Industries Industries Ltd	Food & Beverage	Nairobi & Surrounding Areas
82	Belfast Millers Ltd	Food & Beverage	Nairobi & Surrounding Areas
83	C.Czarnikow Sugar(EA) ltd	Food & Beverage	Nairobi & Surrounding Areas
84	Candy Kenya Ltd	Food & Beverage	Nairobi & Surrounding Areas
85	Centrofood Industries Ltd	Food & Beverage	Nairobi & Surrounding Areas
86	Chirag Kenya Limited	Food & Beverage	Nairobi & Surrounding Areas
87	Europack Industries Limited	Food & Beverage	Nairobi & Surrounding Areas
88	Melvin Marsh International	Food & Beverage	Nairobi & Surrounding Areas
89	Pearl Industries Ltd	Food & Beverage	Nairobi & Surrounding Areas
90	Re-Suns Spices Limited	Food & Beverage	Nairobi & Surrounding Areas
91	Agriner Agricultural Development	Food & Beverage	Nairobi & Surrounding Areas
92	Alliance One Tobacco Kenya Ltd	Food & Beverage	Nairobi & Surrounding Areas
93	Global Fresh Ltd	Food & Beverage	Nairobi & Surrounding Areas
94	Koba Waters Ltd	Food & Beverage	Nairobi & Surrounding Areas
95	Lari Dairies Alliance Ltd	Food & Beverage	Nairobi & Surrounding Areas
96	Sunny Processors Ltd	Food & Beverage	Nairobi & Surrounding Areas
97	Wanji Food Industries Limited	Food & Beverage	Nairobi & Surrounding Areas

98	Green Forest Foods Ltd	Food & Beverage	Nairobi & Surrounding Areas
99	Kuguru Food Com[plex Ltd	Food & Beverage	Nairobi & Surrounding Areas
	Company_Name	**Sector**	**Chapter**
1	Alpharama Ltd	Leather & Footwear	Nairobi & Surrounding Areas
2	Bata Shoe Co (K) Ltd	Leather & Footwear	Nairobi & Surrounding Areas
3	C & P Shoes Industries Ltd	Leather & Footwear	Nairobi & Surrounding Areas
4	Budget Shoes Ltd	Leather & Footwear	Nairobi & Surrounding Areas
5	Leather Industries of Kenya Limited	Leather & Footwear	Nairobi & Surrounding Areas
6	Sandstorm Africa Limited	Leather & Footwear	Nairobi & Surrounding Areas
7	Dogbones Ltd	Leather & Footwear	Nairobi & Surrounding Areas
	Company_Name	**Sector**	**Chapter**
1	Devki Steel Mills Ltd	Metal & Allied	Nairobi & Surrounding Areas
2	Mabati Rolling Mills Limited	Metal & Allied	Nairobi & Surrounding Areas
3	Tononoka Steel Ltd	Metal & Allied	Nairobi & Surrounding Areas
4	ASL Ltd	Metal & Allied	Nairobi & Surrounding Areas
5	Steelmakers Ltd	Metal & Allied	Nairobi & Surrounding Areas
6	Insteel Limited	Metal & Allied	Nairobi & Surrounding Areas
7	Metal Crowns Limited	Metal & Allied	Nairobi & Surrounding Areas
8	Nampak Kenya Ltd	Metal & Allied	Nairobi & Surrounding Areas
9	Steel Structures Limited	Metal & Allied	Nairobi & Surrounding Areas
10	Athi River Steel Plant Ltd	Metal & Allied	Nairobi & Surrounding Areas
11	Booth Extrusions Limited	Metal & Allied	Nairobi & Surrounding Areas

12	Friendship Container Manufacturers Ltd	Metal & Allied	Nairobi & Surrounding Areas
13	Khetshi Dharamshi & Co. Ltd	Metal & Allied	Nairobi & Surrounding Areas
14	Rolmil Kenya Ltd	Metal & Allied	Nairobi & Surrounding Areas
15	Apex Steel Ltd - Rolling Mill Division	Metal & Allied	Nairobi & Surrounding Areas
16	ASP Company Ltd	Metal & Allied	Nairobi & Surrounding Areas
17	East African Foundry Works (K) Ltd	Metal & Allied	Nairobi & Surrounding Areas
18	Nails & Steel Products Ltd	Metal & Allied	Nairobi & Surrounding Areas
19	Sheffield Steel Systems Ltd	Metal & Allied	Nairobi & Surrounding Areas
20	Steelwool (Africa) Ltd	Metal & Allied	Nairobi & Surrounding Areas
21	Wire Products Limited	Metal & Allied	Nairobi & Surrounding Areas
22	Alloy Steel Castings Ltd	Metal & Allied	Nairobi & Surrounding Areas
23	Crystal Industries Ltd	Metal & Allied	Nairobi & Surrounding Areas
24	East Africa Spectre Limited	Metal & Allied	Nairobi & Surrounding Areas
25	Elite Tools Ltd	Metal & Allied	Nairobi & Surrounding Areas
26	General Aluminium Fabricators Ltd	Metal & Allied	Nairobi & Surrounding Areas
27	Gopitech (Kenya) Ltd	Metal & Allied	Nairobi & Surrounding Areas
28	Heavy Engineering Ltd	Metal & Allied	Nairobi & Surrounding Areas
29	Kens Metal Industries Ltd	Metal & Allied	Nairobi & Surrounding Areas
30	Manufacturers & Suppliers (K) Ltd	Metal & Allied	Nairobi & Surrounding Areas
31	Napro Industries Limited	Metal & Allied	Nairobi & Surrounding Areas
32	Warren Enterprises Ltd	Metal & Allied	Nairobi & Surrounding Areas
33	Welding Alloys Ltd	Metal & Allied	Nairobi & Surrounding Areas

34	City Engineering Works Ltd	Metal & Allied	Nairobi & Surrounding Areas
35	Davis &Shirtliff Ltd	Metal & Allied	Nairobi & Surrounding Areas
36	Mecol Limited	Metal & Allied	Nairobi & Surrounding Areas
37	Orbit Engineering Ltd	Metal & Allied	Nairobi & Surrounding Areas
38	Specialised Engineering Co. (EA) Ltd	Metal & Allied	Nairobi & Surrounding Areas
39	Viking Industries Ltd	Metal & Allied	Nairobi & Surrounding Areas
	Company_Name	**Sector**	**Chapter**
1	General Motors East Africa Limited	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
2	Toyota East Africa Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
3	Kenya Grange Vehicle Industries Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
4	Associated Battery Manufacturers (E.A.) Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
5	Impala Glass Industries Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
6	Banbros Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
7	Bhachu Industries Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
8	Labh Singh Harnam Singh Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
9	Auto Ancilliaries Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
10	Auto Springs Manufacturers Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
11	Automotive & Industrial Battery Manufacturers (K) Limited	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
12	Kenya Vehicle Manufacturers Limited	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
13	Pipe Manufacturers Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
14	Unifilters Kenya Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas

15	VarsaniBrakelinings Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
16	Chui Auto Spring Industries Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
17	Mann Manufacturing Co. Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
18	Megh Cushion Industries Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
19	Alamdar Trading Company Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
20	Theevan Enterprises Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
21	Sohansons Ltd	Motor Vehicle & Accessories	Nairobi & Surrounding Areas
	Company_Name	**Sector**	**Chapter**
1	Bamburi Cement Limited	Mining & Construction	Nairobi & Surrounding Areas
2	Central Glass Industries Ltd	Mining & Construction	Nairobi & Surrounding Areas
3	East Africa Portland Cement Co. Ltd	Mining & Construction	Nairobi & Surrounding Areas
4	Mombasa Cement Ltd	Mining & Construction	Nairobi & Surrounding Areas
5	Athi River Mining Ltd	Mining & Construction	Nairobi & Surrounding Areas
6	Bamburi Special Products Ltd	Mining & Construction	Nairobi & Surrounding Areas
7	Kenbro Industries Ltd	Mining & Construction	Nairobi & Surrounding Areas
8	Saj Ceramics Ltd	Mining & Construction	Nairobi & Surrounding Areas
9	Manson Hart Kenya Ltd	Mining & Construction	Nairobi & Surrounding Areas
10	Orbit Enterprises Ltd	Mining & Construction	Nairobi & Surrounding Areas
11	KarsanMurji& Company Limited	Mining & Construction	Nairobi & Surrounding Areas
12	Kenya Builders & Concrete Ltd	Mining & Construction	Nairobi & Surrounding Areas
13	Vallem Construction Ltd	Mining & Construction	Nairobi & Surrounding Areas
14	Flamingo Tiles (Kenya)Limited	Mining & Construction	Nairobi & Surrounding Areas

15	Glenn Investments Ltd C/O The Mehta Group Ltd	Mining & Construction	Nairobi & Surrounding Areas
	Company_Name	**Sector**	**Chapter**
1	Chandaria Industries Limited	Paper & Board	Nairobi & Surrounding Areas
2	Pan African Paper Mills (E.A) Limited	Paper & Board	Nairobi & Surrounding Areas
3	Standard Group Ltd	Paper & Board	Nairobi & Surrounding Areas
4	Tetra Pak Ltd	Paper & Board	Nairobi & Surrounding Areas
5	Twiga Stationers & Printers Ltd	Paper & Board	Nairobi & Surrounding Areas
6	Allpack Industries Limited	Paper & Board	Nairobi & Surrounding Areas
7	Dodhia Packaging Limited	Paper & Board	Nairobi & Surrounding Areas
8	East Africa Packaging Industries Limited	Paper & Board	Nairobi & Surrounding Areas
9	English Press Limited	Paper & Board	Nairobi & Surrounding Areas
10	General Printers Limited	Paper & Board	Nairobi & Surrounding Areas
11	Nation Media Group Ltd	Paper & Board	Nairobi & Surrounding Areas
12	Bags & Bailers Manufacturers Ltd	Paper & Board	Nairobi & Surrounding Areas
13	Carton Manufacturers Ltd	Paper & Board	Nairobi & Surrounding Areas
14	Kenya Litho Ltd	Paper & Board	Nairobi & Surrounding Areas
15	Paperbags Limited	Paper & Board	Nairobi & Surrounding Areas
16	Pressmaster Ltd	Paper & Board	Nairobi & Surrounding Areas
17	Ramco Printing Works Ltd	Paper & Board	Nairobi & Surrounding Areas
18	Statpack Industries Ltd	Paper & Board	Nairobi & Surrounding Areas
19	Autolitho Ltd	Paper & Board	Nairobi & Surrounding Areas

20	Bag and Envelope Converters Ltd	Paper & Board	Nairobi & Surrounding Areas
21	Cempack Ltd	Paper & Board	Nairobi & Surrounding Areas
22	Colour Labels Ltd	Paper & Board	Nairobi & Surrounding Areas
23	Colourprint Ltd	Paper & Board	Nairobi & Surrounding Areas
24	D. L. Patel Press (Kenya) Limited	Paper & Board	Nairobi & Surrounding Areas
25	Ellams Products Ltd	Paper & Board	Nairobi & Surrounding Areas
26	Ellams Products Ltd	Paper & Board	Nairobi & Surrounding Areas
27	International Paper & Board Supplies Ltd	Paper & Board	Nairobi & Surrounding Areas
28	Jomo Kenyatta Foundation	Paper & Board	Nairobi & Surrounding Areas
29	Kartasi Industries Ltd	Paper & Board	Nairobi & Surrounding Areas
30	Kenya Stationers Ltd	Paper & Board	Nairobi & Surrounding Areas
31	Kim-Fay East Africa Ltd	Paper & Board	Nairobi & Surrounding Areas
32	Kul Graphics Ltd	Paper & Board	Nairobi & Surrounding Areas
33	Label Converters	Paper & Board	Nairobi & Surrounding Areas
34	Modern Lithographic (K) Ltd	Paper & Board	Nairobi & Surrounding Areas
35	Mufindi Paper Ltd	Paper & Board	Nairobi & Surrounding Areas
36	Paper House of Kenya Ltd	Paper & Board	Nairobi & Surrounding Areas
37	Printpak Multi Packaging Ltd	Paper & Board	Nairobi & Surrounding Areas
38	Punchlines Ltd	Paper & Board	Nairobi & Surrounding Areas
39	Regal Press Kenya Ltd	Paper & Board	Nairobi & Surrounding Areas
40	Uchumi Quick Suppliers Ltd	Paper & Board	Nairobi & Surrounding Areas
41	Associated Paper & Stationery Ltd	Paper & Board	Nairobi & Surrounding Areas

42	Colour Packaging Ltd	Paper & Board	Nairobi & Surrounding Areas
43	Elite Offset Ltd	Paper & Board	Nairobi & Surrounding Areas
44	Icons Printers Ltd	Paper & Board	Nairobi & Surrounding Areas
45	Kenafric Diaries Manufacturers Ltd	Paper & Board	Nairobi & Surrounding Areas
46	Printwell Industries Ltd	Paper & Board	Nairobi & Surrounding Areas
47	Taws Limited	Paper & Board	Nairobi & Surrounding Areas
48	United Bags Manufacturers Ltd	Paper & Board	Nairobi & Surrounding Areas
49	Creative Print House	Paper & Board	Nairobi & Surrounding Areas
50	Graphics & Allied Ltd	Paper & Board	Nairobi & Surrounding Areas
51	Guaca Stationers Ltd	Paper & Board	Nairobi & Surrounding Areas
52	Adpak International Limited	Paper & Board	Nairobi & Surrounding Areas
53	Brand Printers	Paper & Board	Nairobi & Surrounding Areas
54	Interlabels Africa Ltd	Paper & Board	Nairobi & Surrounding Areas
55	Stallion Stationary Manufacturers	Paper & Board	Nairobi & Surrounding Areas
56	Franciscan Kolbe Press	Paper & Board	Nairobi & Surrounding Areas
57	Printing Services Ltd	Paper & Board	Nairobi & Surrounding Areas
	Company_Name	**Sector**	**Chapter**
1	Glaxo Smithkline Kenya Ltd	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
2	Cosmos Limited	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
3	Dawa Limited	Pharmaceuticals & Medical	Nairobi & Surrounding Areas

		Equipment	
4	Laboratory & Allied Limited	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
5	Elys Chemicals Industries Ltd	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
6	Regal Pharmaceuticals Ltd	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
7	Universal Corporation limited	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
8	Alpha Medical Manufacturers Ltd	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
9	Biodeal Laboratories Ltd	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
10	KAM Industries Limited	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
11	Medivet Products Ltd	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
12	Pharmaceutical Manufacturung Co. (K) Ltd	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
13	Bulk Medicals Ltd	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
14	Novelty Manufacturing Ltd	Pharmaceuticals & Medical	Nairobi & Surrounding Areas

		Equipment	
15	Gesto Pharmaceuticals Ltd	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
16	Global Merchants Ltd	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
17	Oss.Chemie (K)	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
18	Biopharma Ltd	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
19	Manhar Brothers (K) Ltd	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
20	Pharm Access Africa Ltd	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
21	Beta Healthcare International Limited	Pharmaceuticals & Medical Equipment	Nairobi & Surrounding Areas
	Company_Name	**Sector**	**Chapter**
1	Haco Industries Kenya ltd	Plastic & Rubber	Nairobi & Surrounding Areas
2	Sameer Africa Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
3	Blowplast Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
4	General Plastics Limited	Plastic & Rubber	Nairobi & Surrounding Areas
5	Packaging Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
6	Bobmil Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas

7	Elgon Kenya Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
8	Kentainers Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
9	Metro Plastics Kenya Limited	Plastic & Rubber	Nairobi & Surrounding Areas
10	Polythene Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
11	Techpak Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
12	TreadsettersTyres Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
13	ACME Containers Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
14	Complast Industries Limited	Plastic & Rubber	Nairobi & Surrounding Areas
15	Eslon Plastics of Kenya Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
16	Hi-Plast Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
17	Kenpoly Manufacturers Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
18	King Plastic Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
19	Kingsway Tyres&Automart Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
20	L.G. Harris & Co. Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
21	Nairobi Plastics Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
22	Polyflex Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
23	Premier Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
24	Raffia Bags (K) Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
25	Safepak Limited	Plastic & Rubber	Nairobi & Surrounding Areas
26	Sanpac Africa Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
27	Silpack Industries Limited	Plastic & Rubber	Nairobi & Surrounding Areas
28	Styroplast Limited	Plastic & Rubber	Nairobi & Surrounding Areas

29	Sumaria Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
30	Super Manufacturers ltd	Plastic & Rubber	Nairobi & Surrounding Areas
31	Uni-Plastics Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
32	Wonderpac Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
33	Afro Plastics (K) Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
34	Betatrad (K) Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
35	Dune Packaging Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
36	Laneeb Plastic Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
37	Packaging Masters limited	Plastic & Rubber	Nairobi & Surrounding Areas
38	Princeware Africa (Kenya) Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
39	Signode Packaging Systems Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
40	Singh Retread Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
41	Elgitread (Kenya) Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
42	Jamlam Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
43	Kamba Manufacturing (1986) Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
44	Keci Rubber Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
45	Nav Plastics Limited	Plastic & Rubber	Nairobi & Surrounding Areas
46	Plastic Electricons	Plastic & Rubber	Nairobi & Surrounding Areas
47	Plastics & Rubber Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
48	Polyblend Limited	Plastic & Rubber	Nairobi & Surrounding Areas
49	Springbox Kenya Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
50	Dynaplas Limited	Plastic & Rubber	Nairobi & Surrounding Areas

51	Five Star Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
52	Ombi Rubber Rollers Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
53	Prosel Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
54	Qplast Industries Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
55	Solvochem East Africa Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
56	Rubber Products Ltd	Plastic & Rubber	Nairobi & Surrounding Areas
	Company_Name	**Sector**	**Chapter**
1	Kenya Trading EPZ Ltd	Textile & Apparels	Nairobi & Surrounding Areas
2	Spinners & Spinners Ltd	Textile & Apparels	Nairobi & Surrounding Areas
3	Sunflag Textile & Knitwear Mills Ltd	Textile & Apparels	Nairobi & Surrounding Areas
4	Alltex EPZ Ltd	Textile & Apparels	Nairobi & Surrounding Areas
5	Alpha Knits Limited	Textile & Apparels	Nairobi & Surrounding Areas
6	Midco Textiles (EA) Ltd	Textile & Apparels	Nairobi & Surrounding Areas
7	Ngecha Industries Ltd	Textile & Apparels	Nairobi & Surrounding Areas
8	Tarpo Industries Limited	Textile & Apparels	Nairobi & Surrounding Areas
9	Teita Estate Ltd	Textile & Apparels	Nairobi & Surrounding Areas
10	Thika Cloth Mills Ltd	Textile & Apparels	Nairobi & Surrounding Areas
11	Vaja Manufacturers Limited	Textile & Apparels	Nairobi & Surrounding Areas
12	Apex Apparels (EPZ) Ltd	Textile & Apparels	Nairobi & Surrounding Areas
13	Kema E.A. Ltd	Textile & Apparels	Nairobi & Surrounding Areas
14	Le-Stud Limited	Textile & Apparels	Nairobi & Surrounding Areas
15	United Aryan (EPZ) Ltd	Textile & Apparels	Nairobi & Surrounding Areas

16	Yoohan Kenya EPZ Ltd	Textile & Apparels	Nairobi & Surrounding Areas
17	Bogani Industries Ltd	Textile & Apparels	Nairobi & Surrounding Areas
18	Dharamshi & Co. Ltd	Textile & Apparels	Nairobi & Surrounding Areas
19	FulchandManek& Bros Ltd	Textile & Apparels	Nairobi & Surrounding Areas
20	New Wide Garments Kenya EPZ LTD	Textile & Apparels	Nairobi & Surrounding Areas
21	Silver Star Manufacturers Ltd	Textile & Apparels	Nairobi & Surrounding Areas
22	Straightline Enterprises Ltd	Textile & Apparels	Nairobi & Surrounding Areas
23	Embalishments Ltd	Textile & Apparels	Nairobi & Surrounding Areas
24	Image Apparels Ltd	Textile & Apparels	Nairobi & Surrounding Areas
25	Mirage Fashionwear EPZ Ltd	Textile & Apparels	Nairobi & Surrounding Areas
26	Protex Kenya (EPZ) Ltd	Textile & Apparels	Nairobi & Surrounding Areas
27	Kikoy Co. Ltd	Textile & Apparels	Nairobi & Surrounding Areas
28	Penny Galore Ltd	Textile & Apparels	Nairobi & Surrounding Areas
	Company_Name	**Sector**	**Chapter**
1	TimSales Ltd	Timber, Wood & Furniture	Nairobi & Surrounding Areas
2	PG Bison Ltd	Timber, Wood & Furniture	Nairobi & Surrounding Areas
3	Economic Housing Group Ltd	Timber, Wood & Furniture	Nairobi & Surrounding Areas
4	Furniture International Limited	Timber, Wood & Furniture	Nairobi & Surrounding Areas
5	Newline Ltd	Timber, Wood & Furniture	Nairobi & Surrounding Areas
6	Rosewood Office Systems Ltd	Timber, Wood & Furniture	Nairobi & Surrounding Areas
7	Shah Timber Mart Ltd	Timber, Wood & Furniture	Nairobi & Surrounding Areas
8	WoodMakers Kenya Ltd	Timber, Wood & Furniture	Nairobi & Surrounding Areas

9	Eldema (Kenya) Limited	Timber, Wood & Furniture	Nairobi & Surrounding Areas
10	Kenya Wood Limited	Timber, Wood & Furniture	Nairobi & Surrounding Areas
11	Panesar's Kenya Ltd	Timber, Wood & Furniture	Nairobi & Surrounding Areas
12	Shamco Industries Ltd	Timber, Wood & Furniture	Nairobi & Surrounding Areas
13	Woodtex Kenya Ltd	Timber, Wood & Furniture	Nairobi & Surrounding Areas
14	Fine Wood Works Ltd	Timber, Wood & Furniture	Nairobi & Surrounding Areas

Appendix III:Krejcie and Morgan Table

TABLE 1

Table for Determining Sample Size from a Given Population

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size.
S is sample size.

Appendix IV:Appendix IV

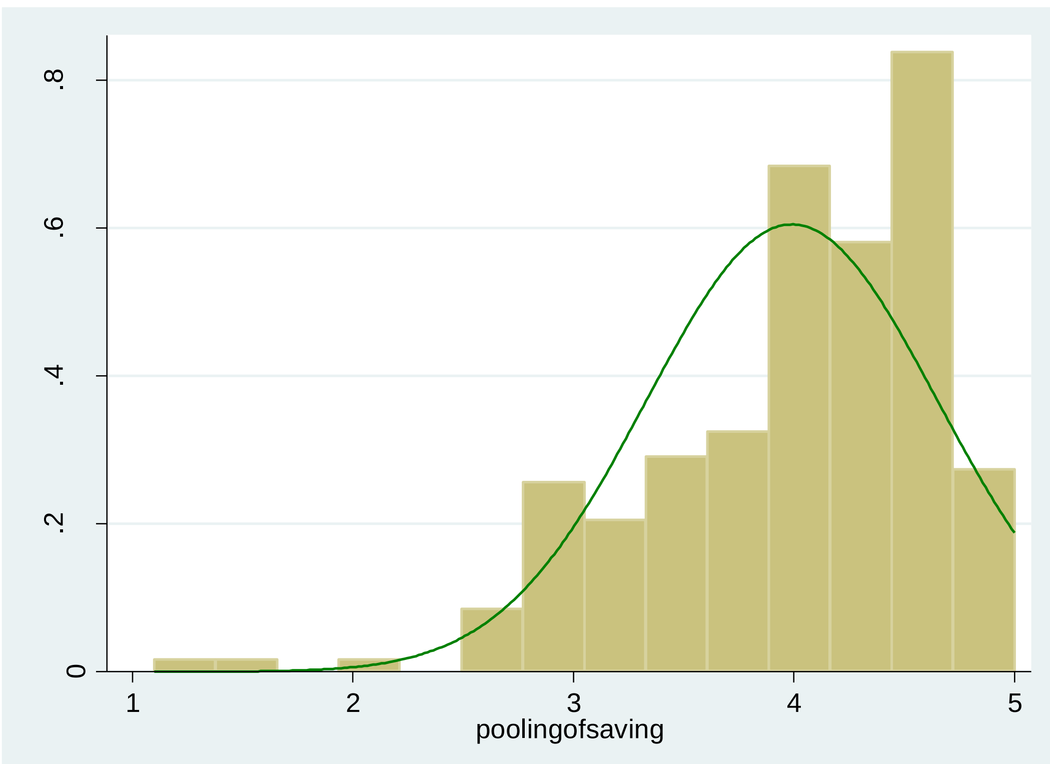
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.088	.229		.386	.700		
poolingofsaving	.365	.073	.291	5.008	.000	.545	1.833
allocationofcapital	.094	.048	.113	1.950	.053	.546	1.833
accesstocredit	.522	.061	.494	8.532	.000	.550	1.817

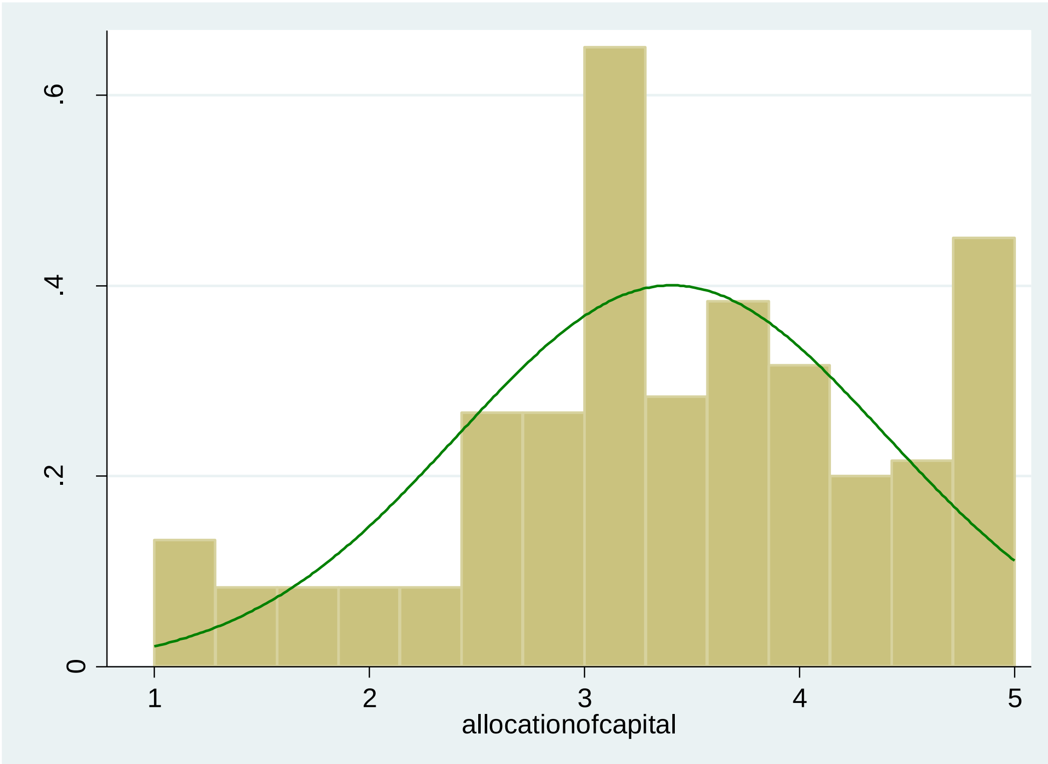
a. Dependent Variable: growth of SMMES

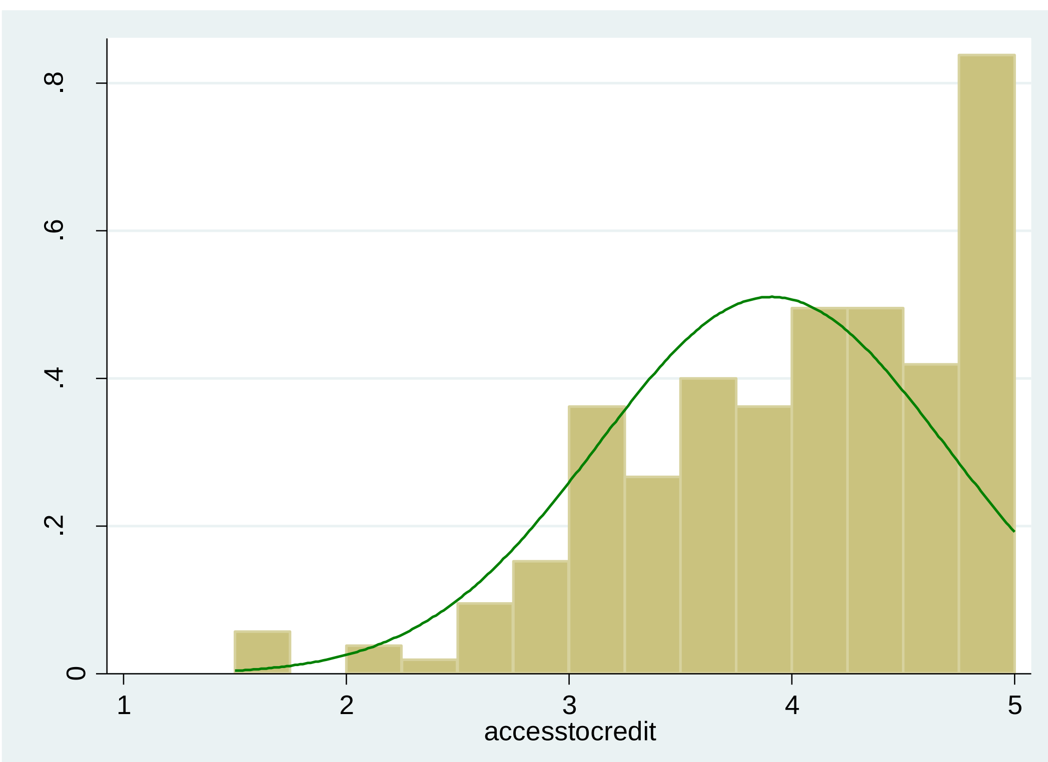
```
. vif

    Variable |       VIF       1/VIF
-------------+----------------------
poolingofs~g |      1.83    0.545425
allocation~l |      1.83    0.545596
accesstocr~t |      1.82    0.550328
-------------+----------------------
    Mean VIF |      1.83

.
```

Appendix V: Breusch-Pagan Test for Heteroskedasticity

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of growthofsmmes

         chi2(1)      =    26.53
         Prob > chi2  =   0.0000
```




0
.2
.4
.6
1
2
3
4
5
allocationofcapital


0
.2
.4
.6
.8
1
2
3
4
5
accesstocredit

```
. swilk poolingofsaving allocationofcapital accesstocredit
```

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
poolingofs~g	210	0.92573	11.562	5.646	0.00000
allocation~l	210	0.98662	2.082	1.692	0.04534
accesstocr~t	210	0.96799	4.984	3.705	0.00011

```
. regress growthofsmmes poolingofsaving allocationofcapital accesstocredit, vce(robust)

Linear regression                                      Number of obs =     210
                                                       F(  3,   206) =  123.53
                                                       Prob > F      =  0.0000
                                                       R-squared     =  0.6211
                                                       Root MSE      =  .51246
```

growthofsmmes	Coef.	Robust Std. Err.	t	P>|t|	[95% Conf.	Interval]
poolingofsaving	.3645566	.1094701	3.33	0.001	.1487311	.5803821
allocationofcapital	.093991	.0509138	1.85	0.066	-.0063879	.1943698
accesstocredit	.5223874	.1006215	5.19	0.000	.3240074	.7207674
_cons	.0860861	.2356777	0.37	0.715	-.3785635	.5507357