

**SUSTAINABILITY CHALLENGES AND ITS EFFECTS ON GROWTH OF SMALL
AND MICRO ENTERPRISES IN GIKOMBA MARKET NAIROBI, KENYA**

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DECLARATION

I declare that the work in this dissertation has not been previously published or submitted elsewhere for award of a degree. I also declare that this my own original work and contains no material written of published by other people except where due reference is made and author duly acknowledged.

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SUSTAINABILITY CHALLENGES AND ITS EFFECTS ON GROWTH OF SMALL AND MICRO ENTERPRISES IN GIKOMBA MARKET NAIROBI, KENYA

ABSTRACT

According to (Fedahunsi, 1997) SMEs face many problems both at start up phases and their growth in many developing countries. Lack of proper skill and the inability to access credit has led to a high failure rate of SMEs in Africa that is approximately 85% in every 100 enterprises. There is limited information available on challenges of sustainability and its effects on the growth of small and micro enterprises in Kenya. Therefore, this study seeks to establish these challenges. A descriptive research design was adopted by the author where the population of interest in the SMEs were visited. A descriptive study's main purpose is to find out the what, where and how of a phenomenon that is according to Cooper and Schindler (2003). The design provides quantitative data from cross section of the chosen population. The target population for this study was 1121 owners/entrepreneurs of SMEs in Gikomba market. 112 respondents were selected representing a population of 1121 possible respondents. The researcher used a questionnaire as the primary data collection instrument. The data was then be coded to enable the responses to be grouped into various categories. Multiple regressions analysis was carried out to determine the strength of the variable. The study found that lack of managerial training and experience affect the growth of small and micro enterprises. It was clear that the enterprises apply deployment of material and planning and that design of organization structure, coordination, deployment of finance resources and controlling activities and staffing. The study revealed that government policies and regulations affect the growth of small businesses. The study found that the enterprises encounter problems of raising capital, accessing finance and accessing credit. Majority of the businesses obtained startup capital from self-financing. From regression equation it was revealed that overall access to credit had the greatest effect on the growth of small and micro enterprises, followed by training while government policies and regulations had the least effect.

Key words

Small and micro enterprises, sustainability, growth

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DEDICATION

I dedicate my dissertation to my dear husband George Mogaka, two lovely daughters Michelle Moraa and Ashley Wambui, parents Jane and Jonah Mwangi, Matthew Menge and siblings Wanjiru, Wangari, Kiku. Kim and Kago and brother in law Robert nephews Nathan and Mwangi among others nieces Sheila among others for their support throughout as I was undertaking my studies.

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DEFINITION OF TERMS

SME; Small and Micro Enterprises have a great capacity to generate employment that can lead to economic growth because of their size, and they do not require a lot of capital to start. Informal sector which falls under SMEs has 7.9 million people that it according to the Kenya National Bureau of Statistics (2008).

Growth; A business changing positively over a period of time. It's normally an important strategic for businesses. It is mostly supported by operational policies.

Training; In order for people to improve their performance learning is provided. People are able to acquire skills and knowledge therefore becoming competent in their jobs.

Sustainability; An enterprises capacity to endure in the environment they operate in.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

SMEs have a great capacity to generate employment that can lead to economic growth because of their size, and they do not require a lot of capital to start. Informal sector which falls under SMEs has 7.9 million people that it according to the Kenya National Bureau of Statistics (2008). The Small and Micro Enterprise (SME) sector has been of great importance is great because of its contribution to the economy because entrepreneurs can be able to provide goods and services without investing a lot of money and the goods are of goon quality and the prices are fair. This enables many people who do not have formal employment to use their skills and talents without necessarily investing in technology or have high levels of training.

SMEs sector also generates employment and increases the national output of a county is high according to Lara and Simeon (2009). Unemployment is higher in the developing countries because they tend to focus on small scale production. SMEs have a lot of potential of growth, job creation and social progress in any economy. They can stimulates growth through the combination of the following measures equitable income distribution, competition becomes active, exploit new markets and productivity in increased, technological change, keeping in mind that large industries and other enterprises are also very important for the growth of the Kenyan economy.

SMEs are the driving force behind economic growth, innovation and technological progress their influence is strong in developing countries. SMEs also have a lot of potential when it comes to innovation and development because the sector has many different

activities that can create job opportunities for many people. Therefore the sector can be used to find solutions for problems relating to unemployment. In order to reduce unemployment and ensure that job seekers find a conducive environment the government needs to intervene and support the entrepreneurs.

Assistance and support to strengthen these small and micro enterprises is needed and this can lead to the increase in their production, growth and sustainability which would lead to the reduction of poverty and unemployment. It is further believed that: the SMEs activities can contribute to the increase in tax incomes for the government and enable the government to invest the money in the long run. Access to financial and non-financial services is important so as to strengthen the SMEs position as it is important in the growth of these enterprises. The strengthening and growth of existing SMEs and support of new enterprises contributes to fulfilling their objectives, can attract a lot of foreign markets and is important in providing employment, meaning they are the backbone of the private sectors in developing countries.

Small and micro enterprises in Kenya however, are confronted with several factors that affect the sustainability. The major factors that affect the small and micro enterprises are environmental that is economic, legal, cultural, political, social, and technological factors, personal attitude as an individual and other things such as proper financial records, financing not being adequate, lack of work premises, government policies and regulations.

1.1.1 The concept of SMEs sustainability

Enterprises capacities to endure in the environment they operate in is a very important strategy in their operations. They always support it with the operational policies and procedures that they come up with in order to safeguard their operations, although there is risk of mistakes caused by the act of either omission or commission and these can destroy value or cost money. A number of issues can hinder the growth of enterprises for example a hostile environment.

SME sustainability is often closely associated with firm ability to survive and also success. It's also an important indicator of the growth for small firms that are surviving and also a preconditions that if meet business are able to achieve their financial goals. Growth is an important as its indicator for the long-term existence of small and micro enterprise. Enterprises that are young are growing have twice the probability of surviving 1 than those ones that do not grow. However, there are challenges that affect the growth of an enterprise. The growth of the firm generally refers to the size of the firm increasing through new markets. Firm growth has been operationalized in various ways and different measures have been taken and this has led to contradictory results given by previous studies, though other explanations have also been presented. The business turnover is mostly used measure to measure its growth. Measures that are used in the context of SMEs have been strongly intercorrelated which may not be the case for big enterprises. Studies have focused on growth of large established firms and have not focused SMEs .Organizational life cycle models indicates growth as a stage in the development of the life cycle. On the other hand, it has been shown that most new jobs are created by existing, not new, SMEs. Studies carried out on SME focused on how new enterprises have performed rather than on existing SMEs

and other factors behind their long existence and growth. This study will focus on sustainability of SMEs in Gikomba market in the last two decades.

1.1.2 The concept of SMEs growth

Small and micro enterprise growth is closely seen as the enterprises survival and success survival. Growth is used to measure success in business. It has been seen that most enterprises that grow are able to survive for long unlike the once that do not grow. It enables the enterprise to achieve its financial goal and its endurance sustainability.

1.1.3 Gikomba market

Gikomba market started as a place where common people would meet and exchange simple wares in a rather casual, unlicensed manner, anybody would buy and sell. It later developed into one of the largest open air markets in Kenya. Gikomba is best known for second hand clothing or Mitumba which are imported into the country in huge bales. It is the largest informal market in the country and majority of the traders their deal in second hand clothes although there are other traders who deal with many other things. Gikomba which started in the late 1960s is walking distance from the central business district of Nairobi.

Gikomba is a daunting environment by any standard. It's a vibrant, energetic and busy part of Nairobi. There are bales of clothes everywhere and delivery men push and pull their carts everywhere along the dusty and muddy roads. Blue, green, red, wares are stacked, or parked in prominent displays; anything imaginable can be found here from gardening tools, household furniture to agricultural machinery which is manufactured here from scrap material.

Jua kali artisans mostly work in the open air wherever they can find an empty space because they don't have money to rent workshops or build factories. But the government has provided space for 4,000 of them at Gikomba since they protested in the late 1980s. All products in Gikomba are mostly made from recycled material for example empty drums that are cut into metal sheets which are used to make barbeque grills, drainage pipes for capturing rain water or even box for home and school use. Old motor bike tires are used to make wheelbarrow wheels and shoes.

1.2 Statement of the Problem

SMEs face many problems both at start up phases and their growth in many developing countries. Lack of proper skill and the inability to access credit has led to a high failure rate of SMEs in Africa. Approximately 85% in every 100 enterprises fail.(Fedahunsi, 1997).SMEs in Africa lack business training in that's critical for them to run their businesses and also do not have collateral needed in order to meet the lending criteria that has been set by the financial institutions. This has created a hindrance to most small and micro enterprises because they cannot access fund easily and this has made them source and obtain finance from family and friends which is an informal source while medium or large businesses can easily access funds from the bank and other financial institutions who will willingly lend them money because they can easily meet the conditions that they have meet. This unequal access to finance by small and micro enterprises has led large enterprises to undermine their role in the economic development in African countries and is never viewed as a threat to their businesses.

SMEs contribution is affected due to financial problem, lack of qualified personnel, raw materials, marketing problems, lack of proper financial records and lack of working premises.

There are various studies on small and micro enterprises that have been conducted locally for example by Muua (2009) who carried out a research on the significance of training for skills required to be effective in export marketing by Small and micro enterprises (SMES) exporting locally manufactured products in Kenya, Wasonga (2008) also carried out a study on challenges influencing small and micro enterprises (SMES) in Kenya: the Fina Bank experience, however there is limited information available on challenges of sustainability and its effects on the growth of small and micro enterprises in Kenya and that's why the study has been undertaken.

1.3 Objectives of the Study

1.3.1 General objective

The general objective of the study is to establish the challenges of sustainability and its effects on the growth of small and micro enterprises in Kenya with specific reference to Gikomba market.

1.3.2 Specific objectives

The study was guided by the objectives below:

- i. To determine how lack of training affects small and micro enterprises growth in Kenya.
- ii. To find out whether access of credit affect the small and micro enterprises growth.

- iii. To determine the extent to which government policies and regulations affect the small and micro enterprises growth.

1.4 Research Questions

The study sought to answer questions below:

- i. How does lack of training affects small and micro enterprises growth in Kenya?
- ii. Does access of credit affects affect the small and micro enterprises growth?
- iii. To what extent do the government policies and regulations affect the small and micro enterprises growth?

1.5 Significance of Study

The findings of this study will be useful to the stakeholders including:

- i. Small and micro enterprises*

The findings of this study will help SMEs in Gikomba Market and in Kenya at large, within an insight into the benefits of using different factors studied in this research to predict the factors that affect their sustainability.

- ii. Governmental policy makers*

The government can use the findings of this study to assist in policy formulation and development for a frame work for critical finance, marketing, work premises and other factors affecting sustainability of SMEs. Moreover, the findings of this study will enable policy makers and financial institutions on how to encourage SMEs to grow their businesses. It also enables them to know what kind (s) of policies should be framed.

iii. Academics/Researchers

Findings from this study will assist academicians in broadening of the prospectus with respect to this study hence providing a deeper understanding of the critical factors that affect sustainability of SMEs.

1.6 Scope of the Study

The scope of this study was the registered SMEs within Gikomba Market. The researcher believed that the management staff of these SMEs may give an insight into challenges facing sustainability SMES.

1.7 Limitation of the Study

The primary limitation of the study is the sample size which will be limited to only Nairobi city area of Gikomba market given the short time allotted for field work. Just like any study, the research is likely to face various other limitations which include; Poor infrastructure system which will hamper the researcher in accessing respondents in their place of work and which may delay or take a lot of time to complete the research. Some respondents may decide to withhold information which they consider sensitive and classified, others may not be knowing or enlightened about the research questions and thus, fear to respond to the questions, others ignore the researcher due to lack of knowledge and being illiterate while, others do not bother with the researcher question and keep the questionnaire without filling it.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the existing literature, information and publication on the topic related to the research problem by accredited scholars and researchers. This section shall examine what various scholars and authors have said about challenges facing sustainability of Small and micro Enterprises, in particular it covered the theoretical review of literature, empirical review of the literature and conceptualization of the research problem and research gap.

2.2 Empirical Review

The number of small and micro enterprises has been increasing rapidly for the last two decades with the majority based in rural areas. According to the national and small enterprise baseline survey (GoK, 1999); about 1.3 million small enterprises were in Kenya employing about 2.4 million people. Their share to GDP was estimated at 18.8% second only to agriculture as compared to a percentage of 13.8% GDP in 1993. Economic strategy for wealth and employment creation 2003 – 2007 (GoK, 2003) indicates that about 25% of all households engage in some form of small business activity with the majority of them depending on their business for all their household income. This is a sector therefore that cannot be ignored as it has a direct impact on the economy.

A comparison of the SME sector in Kenya to other African Countries especially Southern African countries such as Malawi, Zimbabwe, Lesotho and Swaziland shows trends that are similar where 60% of SME is located in the rural areas. There are several factors that have contributed to the rapid expansion in the sector. One of the factors is the

general decline in the economic performance of Kenyan economy as a result of recession and liberalization of the 1980's. This resulted in the need for number of large companies to adjust to the economic realities by becoming lean through retrenchment and downsizing. These led to massive job losses and reduced employment opportunities in the formal sector. Those retrenched were awarded cash retrenchment packages which most converted to capital to start small businesses in the rural areas and small towns.

Another factor is the effect of the World Bank and IMF Structural Adjustment Programme (SAPs) of the 1990's. The reforms by the two institutions recommended as a condition for receiving aid that the government plays a facilitating role rather than intervention and controls in the public companies. This led to reduced government role in public companies like Kenya Co-operative Creameries (KCC) Ltd, Telkom Kenya and Cereals Board among others, liberalization of trade, abolition of price controls of maize flour and other essential consumer goods, encouraged small private sector participation, reduced barriers of trade to small and micro enterprises who found opportunities in niche areas that the large corporation had abandoned. The communication sector for example has seen tremendous growth and innovation, most of the businesses that have sprung up as a result of this are examples of SME's.

The third factor is the hard economic situation experienced in the country leading to even the employed to engage in small enterprises to earn extra income in order to make "ends meet". This in addition to increased numbers of school leavers who cannot find employment in the formal sector engage in small business for a living. The fourth factor is the government support and the entrepreneurial wave that is prevailing in the country for

example the Passing of the Small and micro enterprise Bill by parliament, the establishment of the Youth and Women Fund by the government. Eradication of poverty and hunger by 2015 is one of the Millennium Development Goals. This is important for all sectors, citizens and government to engage each other and come up with income generation activities, create job opportunities so as to reduce poverty.

SMEs recognition and their potential to solve the unemployment problem and create wealth, considerable support programmes have been put in place by the government and the private sector to assist small enterprises improve their performance. However, despite the apparent growth in the establishment of small and micro enterprises and the efforts made to improve performance a number of the enterprises have either stagnated or closed down with a few recording some level of growth (Dondo, 1991).

The finance theory states that access to finance and other related resources push people towards entrepreneurship. It also states that very few people start businesses without finances. According to these theories individuals with access to finances stand a better chance of becoming successful entrepreneurs than those who do not. Based on this theory policy makers develop policies that will make finances more accessible to promote enterprise success/ Entrepreneurship. This theory focus on capital markets arguing that when capital markets are performing well then people are more likely to start businesses and succeed.

By definition small and micro enterprises are enterprises employing between 1 and 20 employees. To understand why SMEs come into existence, it is important to understand the process of entrepreneurship and the various theories regarding the motivation to create

new enterprises. Small businesses are in most cases creations of entrepreneurs. The word entrepreneur means to undertake and is from a French word “entreprendre”. In business context, it means individuals who undertake the risk of new enterprises. Richard Cantillon a French economist considered an entrepreneur as a risk-taker would buy goods at a certain price to sell at an uncertain price with the main aim of making a profit. Menge, on the other hand in Holt (2003) looks at an entrepreneur as a change agent who transforms resources into goods and services that are useful that will create circumstances leading to industrial growth. He gave an example of grains in the field, which has low value, but after it's been harvested, milled into flour and transformed to bread it has a higher value. This is the process of value addition is done through food processing and manufacturing.

Innovation is an important characteristic of an entrepreneur and it can take the form of combination of resources into something production of new goods, providing new services among others. All new small enterprises have many factors in common but to be a successful entrepreneur the enterprise should have some special characteristics separating it from others apart from being new and small and entrepreneurs are the minority among new businesses. Business owners/entrepreneurs create new and different product and they also chance values (Holt, 2003).

Entrepreneurship can be considered as a process of creating value through the recognition of a business opportunity and mobilizing factors of production with management skills to bring the enterprise in to productivity under conditions of risk and uncertainty. Entrepreneurship therefore shapes the direction of enterprise and the performance of the

enterprise depends on the creativity, risk-taking and innovation, which are key features of entrepreneurship.

Performance refers to how well or badly an individual or institution is doing in his or its designated task. The balance score card provides, clear prescription as what a company should measure in order to balance their financial and operation perspective. Gitman (2005) emphasizes on reduction of costs. The financial performance measurements are derived in the company financial statements. A wide range of literature exists on factors affecting financial performance. The following are some of the most common factors considered as affecting small business performance.

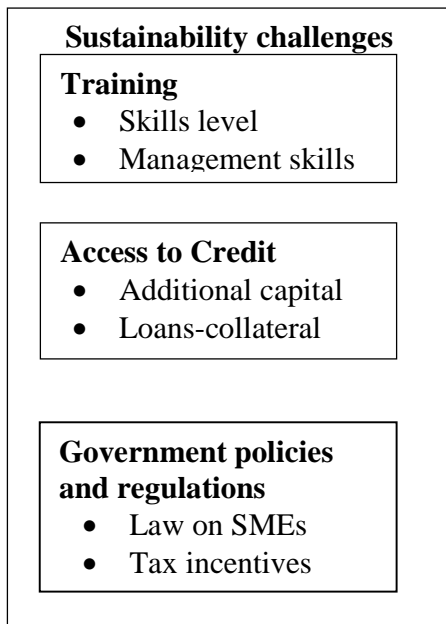
In the Storey's model, strategy "action taken by the firm once in business" (Storey, 1994). The key drivers identified are the introduction of new product, technological sophistication meaning product innovation and positioning in the market are the key drivers. The other factors that encourage growth are willingness get credit to and fund it and to delegation of decisions to a team that manages the business. On both areas it emphasizes its importance to owner to have a positive attitude towards growth. An important factor to note is planning ahead when it comes to systems before he growth stage in which the systems will be used. Other owner-related factors identified were: having operational skills, business goals, managerial and strategic abilities.

SME skills do not have to be used at all stages. An example is the personal skills of the owner's skills which become irrelevant as the firm grows. Also as the business grows the priorities of financial resources change.

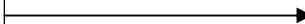
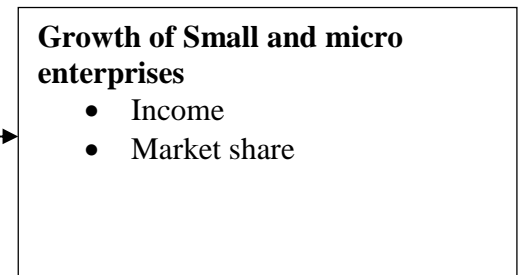
FIGURE 1

Conceptual Framework

Independent Variable



Dependent Variable



Source: Author (2013)

2.3.1 Training

Many SMEs owners or managers lack training. Entrepreneurs develop their own approach to the management of their business through by trial and error rather than formal training, which results to their management style more likely to be more intuitive, they are more concerned with the daily operations of the business rather than long-term issues relating to the growth of their enterprises, which are not strategic but rather opportunistic. Entrepreneurs attitude is a key strength when they are starting their businesses, because it provides the a lot of creativity that is needed to propel the growth of the business, it presents problems or challenges when complex decisions have to be made regarding the business. The results of poor managerial skill is the entrepreneur being ill prepared to face challenges

that arise in the business environment and also not being prepared for technological changes that are constantly arising within their business environment.

Many entrepreneurs who own business are just ordinary people who are with inadequate educational background, and they may lack the necessary skills that will enable them carry out their managerial duties well as required (King and McGrath, 2002).

Management skills relate to the owner/manager and the enterprise in question. Management is mostly concerned with financial and human resource aspect of the business and the deployment of material within the existing structures of the organization.

Education and possession of managerial skills by an entrepreneur are key in order for one to run small enterprises and propel it to a big venture, empirical research indicates that many entrepreneurs in Kenya lack the necessary skills and education required to run their business. Empirical studies also suggest that those who have the necessary skills and education within the SME sector are more likely to be successful in their businesses (King and McGrath 2002). In order for small businesses to perform well in Kenya managers and the owners need to be well equipped especially with management skills. Performance of SMEs in the ICT sector is good because of the many commercial colleges that offer various computer training. Other, studies show that most of those running SMEs in this sector have at least attained college level education (Wanjohi and Mugure, 2008).

Management is therefore important to enable group or business goals to be accomplished through the functions of planning, controlling activities, staffing, coordination and directing. Personal characteristics of the owner/manager and lack of experience among

entrepreneurs can lead to poor performance and failure of the businesses. Poor management causes many small businesses to perform poorly or even fail.

The role of education in business performance is important as it is one of the things that hold back the development of small enterprises is the need for better management style. It requires proper planning, organizing skills, control, and proper staffing with qualified and competent personnel. As the enterprise becomes larger, managers need to plan, coordinate and control the activities of the enterprise more. Business performance is affected by the owner who is likely to be the manager of the small enterprise and may lack the training, skills and experience to steer the operations of the business successfully. The environment in which the business operates may be very rigid and sometimes may not be dictated by sound business and management decision but by social and cultural norms. This can affect business performance by the inability to keep proper records, to separate business operations from personal, manage cash flow and growth.

2.3.2 Access to Credit

Access to finances/credit has always been a key problem that SMEs faces globally , credit access affects the many choices that SMEs makes for example technology and investment decision. SMEs are limited by the number of alternatives that the owner can consider. Many SMEs end up using inappropriate technology which are cheaper because it is the only one they can afford because of the limited financial resources, even where credit is available to SMEs, the entrepreneurs cannot meet the lending conditions that have been set by institutions which are very strict and difficult to adhere to making it impossible for them to be able to buy of heavy, immovable equipment's that can be used as collateral in

order for the loan to be granted. Constraints of accessing credit operate in variety of ways in Kenya an example is where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives. The lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance which are expensive to the SMEs.

Financial constraint among SMEs remains is major challenge that SMEs have to face in Kenya (Wanjohi and Mugure, 2008). Examples of the various challenges that SMEs face are the high cost of credit due to interest rates and bank charges. An example of the consequences of financial constraints is in 2008 when pyramid schemes came up and became very popular due their high interest rates in returns which targeted the common and entrepreneurs who are low income earners. Many money lenders overpromised the low income earning entrepreneurs that they would get soft loans at very good interest rates which they could not get from financial institutions all they needed to do is to invest certain amounts of money with the money lenders schemes but these schemes that were lending the money ended up collapsing. The reason as to why many entrepreneurs turned to these schemes to look for money was the fact that they would be able to access soft credit with low interest rates while making profits and the conditions that had been set by the schemes were very flexible.

Finding start-up finance for the business is the biggest problem that many entrepreneurs go through. Even after getting started, getting sufficient finances to sustain business growth is another problem. Research findings by Kinyanjui (2006) show how SMEs are constrained by finance. In a study done in South Africa by Eeden in 2004 finance

was also cited as one of the most prominent constraints. The problem related to finance includes lack of information on where to source for finance, restrictive lending offered by commercial banks, lack of access to finance, insufficient financing, lack of track record as may be required by the banks, limited access to collateral, and the fact that financial institutions lack appropriate structure for dealing with SMEs.

Insufficient financing is as much a problem as lack of finance. There has been a lot of proliferation by the Micro Finance Institutions but this has not to a great extent improved financing options for growth-oriented enterprises. Lending money to groups and paying interest weekly are used to enable small-scale entrepreneurs who do not have collateral be able to access credit but these options also limit growth-oriented businesses. As a result of scarcity of finance, small enterprises are unable to expand, modernize or meet urgent orders from customers. The profit Margin are usually little to support growth.

Capital is therefore necessary for the long-term survival and growth of small enterprises. It should also be noted that more money than required can be much of a problem as less money. More money means high cost for money in terms of interest and may also lead to un-worthwhile investments. At governmental level the problem access of credit to small business is and being made affordable through stabilizing interest rates. Credit to Agriculture last financial year grew by 18% while to business services grew by 18%.

2.3.3 Government Policy and Regulations

The Kenya government's policy for industrialization and commerce soon after independence in 1963 was geared towards expansion of overall output focusing on large scale enterprises (Aleke, 2003). This policy assumed that only such enterprises could contribute towards growth. It was however much later in the 1970's that it was realized that the large enterprises were not growing fast and therefore were being unable to solve unemployment problems.

Attention was thereafter focused on small enterprises. The government policy before and thereafter has not been very favorable to the small enterprises. Government regulation about taxation, wages, licensing and others are among the important reasons why informal sector business develops. The small business sector can be destroyed by government policies if careful attention is not taken.

The structural adjustment programs (SAPs) which were implemented in Kenya were aimed at removing the many policies that were seen as hindering the growth of the private sector and small business enterprises in the country. Structural Adjustment Programs mostly affected the vulnerable groups and also led to the living conditions of the affected people becoming very bad in many part of the country.

According to Wanjohi and Mugure (2008), the business conditions is an important factor that affects the growth of small enterprises in Kenya, government policies that are unpredictable together with high taxes and corruption, continue to present great challenges, to the sustainability and growth of SMEs and also to the Kenyan economy that is growing. The government's should take up responsibility and ensure that its policies that are

formulated will enable the business environment to be conducive for the growth of the business. Licensing, permits and business regulations for instance are major challenges facing small enterprises; the complex licensing regime has impeded economic development. An example is the transportation of agricultural produce across several local authorities where one is required to get a permit from each local authority this increases the costs of doing business.

The Kenya Association of manufacturers makes similar observation and adds that although there has been some effort to streamline licensing, procedures through a single business permit, businesses continue to face difficulties with licensing procedures. It observes that the biggest problem facing the private sector especially industry is the burden resulting from selective application and implementation by government agents and not about the cost of the licenses. A good example is given that of the occupation, Health and safety requirements which is not clear and which authorities use subjectively to harass entrepreneurs in order to solicit for bribes, (Wanjohi and Mugure, 2008).

Standards adapted by industrialized countries and big enterprises may not be appropriate for the small business sector. The standards are normally inappropriate and in other cases regulations that are legally imposed especially on product specifications, environment and building are some of the factors that affect the entrepreneurs. Taxation also had been ranks high as a source of regulatory cost and is not an incentive for small businesses. Small enterprises sometimes find it easier to operate outside the law because of the cost and complex regulations are unsuitable for their operations. Compliance for such regulations is costly and beyond their ability. Some of the small business operators prefer

operating outside the formal system because it is easy for them to understand and operate. This according to Kinyanjui (2006) is hindering the small sector growth.

2.4 Research Gaps

Findings from studies done earlier and government reports on the state of affairs of small scale enterprises reveals that the sector faces numerous problems and constrains that affect their suitability. While much research has been done on the small business, none has been done specifically on sustainability of SMEs in Kenya. The overall problem therefore is that relatively little is known about challenges facing suitability of SMEs in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter we looked at the methodology was used to collect data for the study. It covered the research design, the target population, data collection instruments and procedures.

3.1 Research Design

This research adopted a descriptive research design where the population of interest in the SMES was visited. A descriptive study's main purpose is to find out the what, where and how of a phenomenon that is according to Cooper and Schindler (2003). A descriptive study was chosen because the researcher would be able to generalise the findings to a larger population. The design was seen appropriate because the main interest was to establish sustainability challenges and its effect on the growth of small and micro enterprises in Gikomba market in Nairobi, Kenya.

Descriptive design method provided a quantitative data from selected from a cross section of the population that was chosen. The population of interest was visited in order to deliver questionnaires which were used to collect all the necessary data from the respective respondents. Descriptive research also collects data in order to answer questions that concern the current status of the subject that is being studied.

3.2 Target Population

Ngechu (2004) notes that a population that is being investigated is a well-defined and it ensures the study is uniform it can be a set of people, services and things. The population of study ensures that everyone has a chance of being selected in the final sample that has been. The target population was the owner/ entrepreneurs of SMEs in Gikomba market who are licensed by the Nairobi City Council.

TABLE 1
Target Population

	Target	Percent
General Trade	419	37.4
Storage , Transport, Communications	232	20.7
Agriculture, Forestry, Natural Extracts	84	7.5
Accommodation &Catering	86	7.7
Professional &Technical	97	8.7
Private Education, Health, Entertainment	89	7.9
Plants, Factories, Workshops, Contractors	114	10.2
Total	1121	100

Source: NCC Licensing Department 2013

3.3 Sampling Design

The population above of 1121 possible respondents, a sample of 10% was taken using stratified random sampling. 112 respondents were selected representing a population of 1121 owners/entrepreneurs of SMEs in Gikomba market who are licensed by Nairobi City Council (Appendix II). According to Kombo and Tromp (2006) a good sample population should be 10% to 30% of the entire population.

TABLE 2
Sampling frame

	Target	Proportion	Sample
General Trade	419	0.1	42
Storage , Transport, Communications	232	0.1	23
Agriculture, Forestry, Natural Extracts	84	0.1	8
Accommodation &Catering	86	0.1	9
Professional &Technical	97	0.1	10
Private Education, Health, Entertainment	89	0.1	9
Plants, Factories, Workshops, Contractors	114	0.1	11
Total	1121	0.1	112

Source: Author, (2013)

3.4 Data Collection

The primary data collection instrument to be used by the researcher was a questionnaire. The questionnaire gave a brief introduction of SMEs and was divided into sections which represented the various variables adopted by study. For each section of the chosen the study included closed both structured and open ended questions which collected the views, opinion, and attitude from the respondent which might not have been captured by the researcher. The method of presenting the questionnaire was through dropping and picking them from the people working with the SMEs or the owners of the enterprises.

The way the questions were designed was in order to collect qualitative and quantitative data. The open ended questions gave unrestricted freedom to answers of the respondent, closed ended and Likert questions. The researcher used assistants who distributed the questionnaires by hand and ensured that the selected respondents completed

them. Upon completion, the research assistants collected the questionnaires and ensured high completion rate and return of the completed questionnaires.

3.5 Data Analysis and Presentation

This includes the analysis of data. Once the data was analysed the findings were generalised in order to determine patterns of behaviour and particular outcomes. The questionnaire was edited for completeness and consistency before the processing the responses. The data was coded to enable the responses to be grouped into various categories. Correlation analysis was carried out to determine the strength of the variable. In addition, a multiple regression was used to measure the quantitative data and was analyzed using SPSS too. The regression equation is:

EQUATION 1

Regression equation

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where;

Y is the dependent variable i.e. growth of small and micro enterprises

X₁, X₂, X₃ is the independent variable i.e. training, access to credit and government policy and regulation

β₀, β₁, β₃ is the correlation coefficients

ε is the error term

Data was then grouped into frequency distribution indicating the variable values and number of occurrences in terms of frequency. Tables having frequency distribution were informative to summarize the data from respondents. As for analysis the bar charts,

frequency distributions and pie charts among others were used. Computers packages specifically SPSS and Microsoft Excel were used in order to communicate findings of the research. Tables and other graphical presentations were used so as to present the data collected for in an easy way and ensure that the analysis is understood.

CHAPTER FOUR

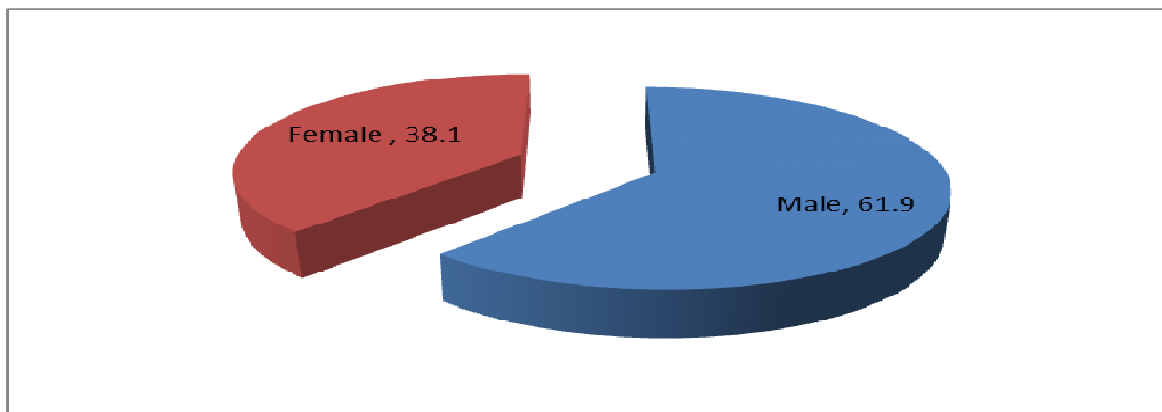
DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

In this chapter the interpretation and presentation of the findings obtained from the field are discussed. It also presents the background information of the respondents, findings of the analysis based on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study. The study targeted a sample size 112 of respondents from which 105 filled and returned the questionnaires making a response rate of 93.75 %. This response rate was satisfactory to make conclusions for the study. The response rate was representative.

4.2 General Information

FIGURE 2
Gender of the respondent



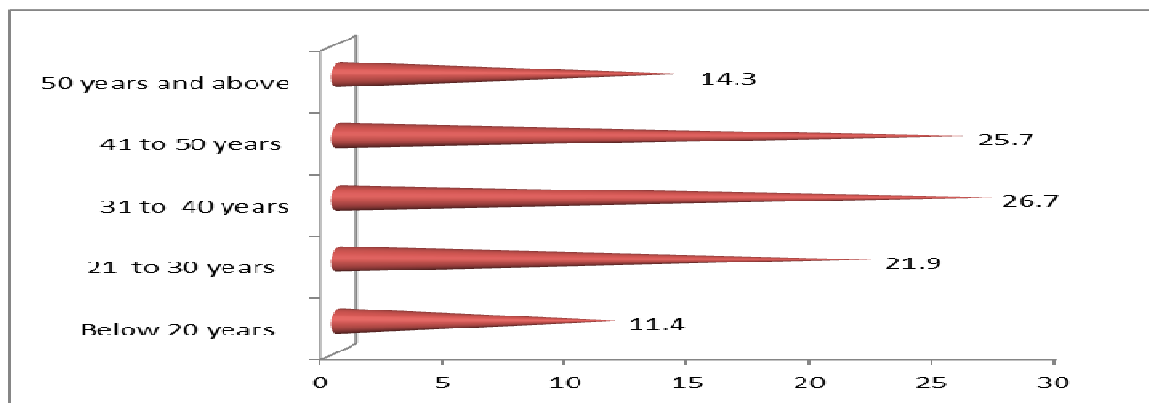
Source: Author (2013)

The study sought to determine the gender of the respondent and therefore requested the respondent to indicate their gender. The study established that majority of the respondent

as shown by 61.9% were males whereas 38.1% of the respondent were females, this is an indication that both genders were involved in this study and thus the finding of the study did not suffer from gender bias

FIGURE 3

Age of the respondent

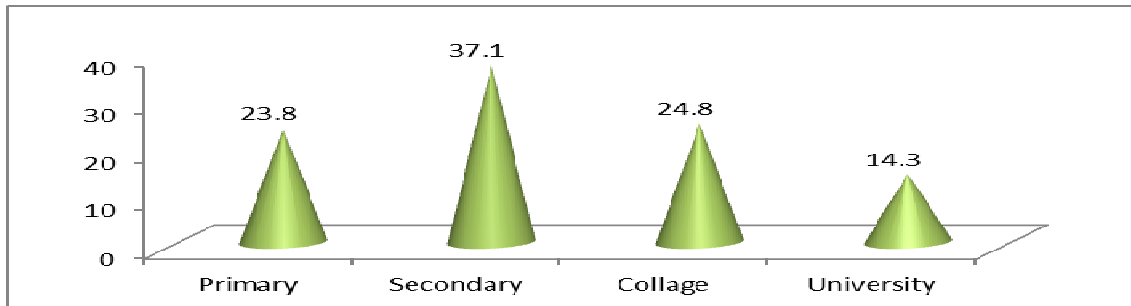


Source: Author (2013)

The study sought to establish the age distribution and therefore requested the respondent to indicate their age category, from the findings, 26.7% of the respondents were aged between 31 to 40 years 25.7% of the of the respondent indicated they were aged between 41 to 50 years, 21.9 % of the respondents were aged between 21 and 30years, 14.3% of the respondents indicated that they were aged between above 50 years whereas 11.4 % of the respondents indicated that they were aged below 20 years. This is an indication that respondents were well distributed in terms of their age.

FIGURE 4

Highest level of education

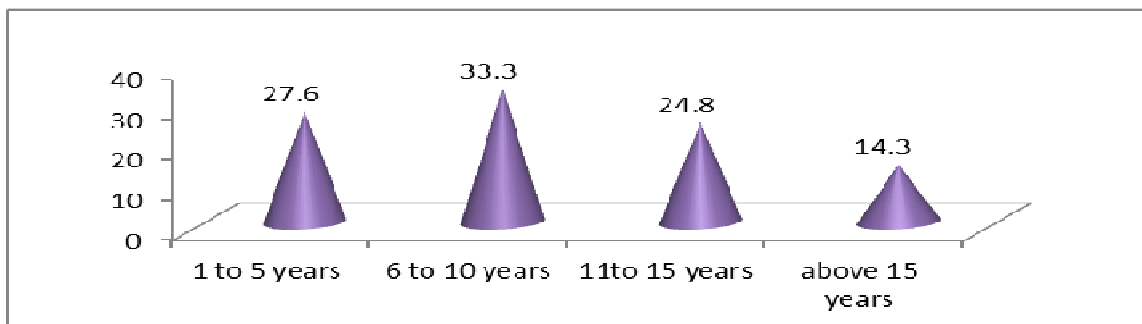


Source: Author (2013)

The study requested the respondent to indicate their highest level of education. From the findings, 37.1% of the respondent indicated their highest level as secondary certificate 24.8% of the respondents indicated their highest level of education as college certificates , 23.8% of the respondent indicated their highest level as primary certificate , whereas 14.3% of the respondents indicated their highest level as post graduate,. This is an indication that most of the respondents focused in this study had secondary certificates as their highest level of education.

FIGURE 5

Number of years worked in the enterprise

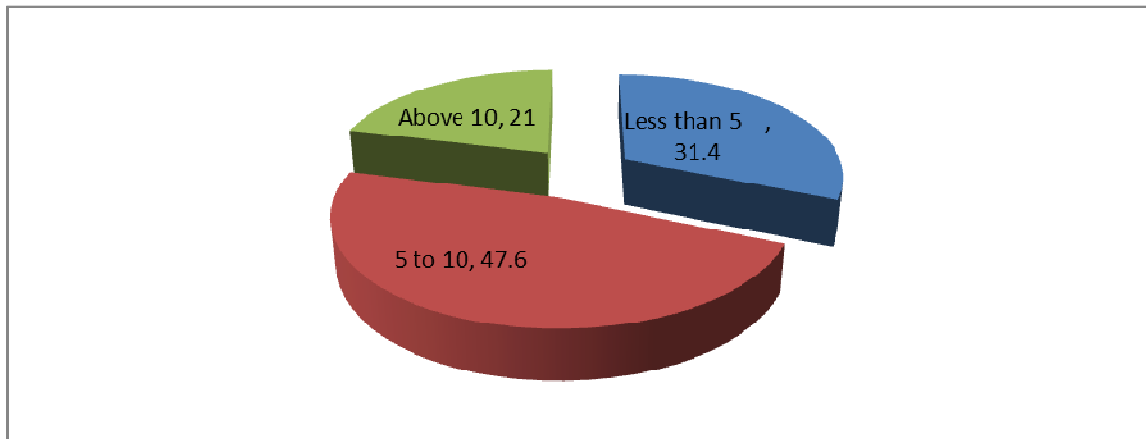


Source: Author (2013)

The study requested respondent to indicate the number of years they had worked for in the enterprise. From the findings the study established that 33.3% of the respondents had worked for a period ranging between 6 to 10 years 27.6 % of the respondents indicated that they had been entrepreneurs for a period of between 1 to 5 years, 24.8 % of the respondents indicated that they had been in same business for a period which ranges between 11 to 15 years, and finally 14.3% of the respondent indicated that they had worked for a period exceeding 15 years. This implies that majority of the respondents had worked for quite considerable time which implies that they had enough experience which could be relied upon in this study to make inferences.

FIGURE 6

Total number of employees in the business



Source: Author (2013)

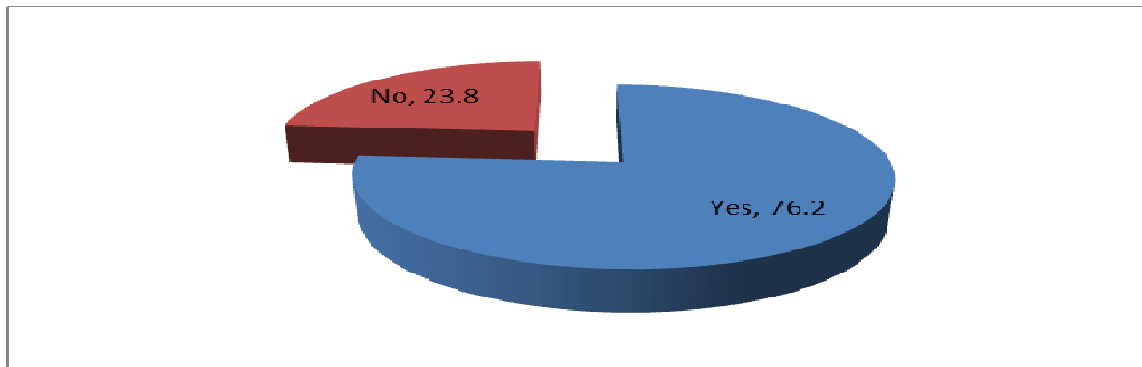
The study sought to establish the total number of employees the respondent had in his\ business, from the findings 47.6% of the respondents indicated that they 5 to 10 employees, 31.4% of the respondents indicated that they had employed less than five workers. Whereas 21.0% of the respondents indicated that they had more than 10 employees

in their SMEs. This is an indication that SME were not only a source of employment to the owners but also they helped to reduce joblessness situation in the society.

4.3 Training

FIGURE 7

Effects of lack of managerial training on the growth of small and micro enterprises



Source: Author (2013)

The study sought to establish whether lack of managerial training affect the growth of small and micro enterprises, from the findings 76.2% agreed that lack of managerial training affects the growth of small and micro enterprises where as 23.8% of the respondents were of contrary opinion. This implies that majority of the respondents felt that they weren't equipped with sufficient managerial skills necessary to run their SMEs effectively.

TABLE 3

Extent to which lack of managerial experience affect the growth of small and micro enterprises

Statement	No extent	Little extent	Moderate extent	Great extent	Very great	Mean	Std deviation
Extent does lack of managerial experience affect the growth of small and micro enterprises	0	0	17	68	20	4.03	0.27

Source: Author (2013)

The study sought to establish the level of extent at which lack of managerial experience affected the growth of small and micro enterprises, from the findings majority of the respondents were of believe that lack of managerial experience affected the growth of small and micro enterprises to a great extent as shown by a mean of 4.30 and standard deviation of 0.27 the findings above .Poor management is the key cause poor performance and failure of many small business. Majority of managers /owners who run SMEs are ordinary people whose educational background is inadequate, hence they may not well be equipped to carry out managerial routines for their business enterprises as required (King and McGrath, 2002). Management skills relate to the owner/manager and the enterprise in question.

TABLE 4
Extent to Which Experience as a Manager Affect Business

Areas	No extent	Little extent	Moderate extent	Great extent	Very great extent	Mean	Std deviation
Deployment of finance resources	0	0	7	33	65	4.55	0.27
Design of organization structure	0	0	12	49	44	4.30	0.23
Deployment of material	0	0	13	55	37	4.23	0.23
Planning	0	0	10	60	35	4.24	0.25
Staffing	0	0	15	55	35	4.19	0.23
Directing	0	0	5	65	35	4.29	0.27
Controlling activities	0	0	13	57	35	4.21	0.24
Coordination	0	0	5	45	55	4.48	0.26

Source: Author (2013)

The study sought to investigate the extent to which respondents applied their managerial experience in the above areas, from the findings majority of respondents indicated to a very great extent that in the area of deployment of finance resources, as shown by a mean of 4.55, the rest of the areas were indicated to a great extent, these include coordination as shown by a mean of 4.48, design of organization structure as shown by 4.30, directing as shown by a mean of 4.29, planning as shown by a mean of 4.24, deployment of material as shown by a mean of 4.23, controlling activities as shown by a mean of 4.21 and finally in Staffing area as shown by a mean of 4.19, all cases were supported by a low mean of standard deviation which implies that respondents were of

similar opinion. The finding asserts that management is therefore important to enable group or business goals to be accomplished through the functions of planning, controlling activities, staffing, coordination and directing.

TABLE 5
Statements Relating To Managerial Training and Experience

Statements	Strongly Disagreed	Disagree	Moderate	Agree	Strongly Agree	Mean	Std Deviation
Management and management experience is vital for any business growth for it enhances the process of getting tasks accomplished with and through people by guiding and motivating their efforts.	0	0	11	24	70	4.56	0.28
There's a very strong positive relationship between Management skills, owner/manager and the enterprise itself	0	0	5	30	70	4.62	0.29
Management is critical for the growth of every business enterprise for it is concerned with the deployment of material, human and finance resources with the design of organization structure	0	0	2	15	88	4.82	0.36
In order to run a small and micro enterprise education and skills are needed	0	0	7	20	78	4.68	0.31
Small and micro entrepreneurs who have more education and training are more likely to be successful	0	0	10	21	74	4.61	0.29

Source: Author (2013)

The study sought to determine the respondents' level of agreement with the above statements which relate to managerial training and experience, from the findings majority of the respondents strongly agreed that; Management is critical for the growth of every business enterprise for it is concerned with the deployment of material, human and finance

resources with the design of organization structure as shown by a mean of 4.82, In order to run a small and micro enterprise education and skills are needed as shown by a mean of 4.68, There's a very strong positive relationship between Management skills, owner/manager and the enterprise itself as shown by a mean of 4.62 Small and micro entrepreneurs who have more education and training are more likely to be successful as shown by a mean of 4.61 and finally that Management and management experience is vital for any business growth for it enhances the process of getting tasks accomplished with and through people by guiding and motivating their efforts as shown by a mean of 4.56.

4.4 Access to Credit

TABLE 6

Indicate the Initial Source of Capital for the Business Start-Up

Source	Frequency	Percentage
Self-financing	40	38.1
Borrowing	23	21.9
Loan from bank	29	27.6
Pyramid schemes	13	12.4
Total	105	100

Source: Author (2013)

The study sought to establish the initial source of capital used by the respondents to start up his business from the findings 38.1% indicated their initial source was from their own savings, 27.6% of the respondents indicated that their initial source of capital was from bank loan, 21.9% indicated that they borrowed from friends, and finally 12.4% of the respondents indicated to have obtained startup capital from Pyramid schemes, this indicates majority of the respondents were not familiar with the current available means of access to finance.

TABLE 7
Extent to Which Enterprise Encounter Problems Related To The Following

	No Extent	Little Extent	Moderate Extent	Great Extent	Very Great Extent	Mean	Std Deviation
Raising Capital	0	0	13	56	36	4.22	0.23
Accessing credit	0	0	9	60	36	4.26	0.25

Source: Author (2013)

The study sought to establish the extent at which SMEs encountered problems with the above aspects which relate on capital and credit, from the findings the problem of accessing credit was perceived to be of great extend as shown by 4.26, while raising capital was perceived to be of great extent as shown by a mean of 4.22. This implies that majority of the entrepreneurs featured in this study weren't informed on ways of accessing credit.

TABLE 8
Extent to which business faces challenges in financing business expansions

	Frequency	Percentage
Moderate extent	6	5.7
Great extent	65	61.9
Very great extent	35	33.3
Total	105	100

Source: Author (2013)

The study sought to determine the extent to which respondents' business faced challenges in financing business expansions, from the findings majority of the respondents indicted to a great extent as shown by 61.9%, 3.33% of the respondents indicated to a great

extent while only 5.7% of the respondents indicated to a moderate extent, this implies that most of the businesses were faced with the problem an addressing the their finances.

TABLE 9
Extent to which financial challenges affect growth of SMEs

	No Extent	Little Extent	Moderate Extent	Great Extent	Very Great Extent	Mean	Std Deviation
Inability to access long-term credit by small and micro entrepreneurs	0	0	15	56	34	4.18	0.23
High cost of credit	0	0	16	59	30	4.13	0.23
High bank charges and fees	0	0	13	60	32	4.18	0.24
Restrictive lending offered by commercial banks	0	0	12	64	29	4.16	0.26
Insufficient financing,	0	0	15	69	21	4.06	0.27
Lack of track record required by the banks	0	0	14	70	21	4.07	0.27
Limited access to collateral	0	0	10	72	23	4.12	0.29

Source: Author (2013)

The study further sought to establish the extent to which the above aspects relating to finance hindered growth of SME. From the findings it was established that high bank charges and fees and inability to access long-term credit by small and micro entrepreneurs affected the growth of SMEs to a great extent as shown by a mean of 4.18 in each case, restrictive lending offered by commercial banks effected the growth of SMEs to a great extend as shown by a mean of 4.16, high cost of credit affected the growth of SMEs to a great extent as shown by a mean of 4.13 in each case, limited access to collateral affected the growth of SMEs to a great extent as shown by a mean of 4.12, lack of track record required by the banks affected the growth of SMEs to a great extent as shown by a mean of

4.07, and finally insufficient financing, affected the growth of SMEs to a great extent as shown by a mean of 4.06, the findings hereby echo's the report by Eden (2004) finance was also cited as one of the most prominent constrains. The problem related to finance includes lack of information on where to source for finance, restrictive lending offered by commercial banks, insufficient financing, lack of track record required by the banks, lack of collateral, and the fact that financial institutions lack appropriate structure for dealing with SMEs. Financial constraint among SMEs remains a major challenge facing SMEs in Kenya (Wanjohi and Mugure, 2008).Some of the various financial challenges the small enterprises face are the high cost of credit, bank charges and fees. The scenario was witnessed in Kenya particularly during the climaxing period of the year 2008 testifies the need for credit among the common and low earning entrepreneurs.

4.5 Government Policy and Regulations

TABLE 10

Extent to which government policies and regulations affect the growth of small businesses

	frequency	Percentage
Moderate extent	23	21.9
Great extent	55	52.4
Very great extent	27	25.7
Total	105	100

Source: Author (2013)

The study sought to establish the extent to which government policies and regulations affect the growth of small businesses, from the findings 52.4% of the respondents indicated to a great extent, 25.7% of the respondents indicates to a very great

extent, whereas 21.9% of the respondents indicated to a moderate extent. This implies that government policies and regulations hindered the growth of small enterprises.

TABLE 11
Extent to which government policies and regulations affects the growth of small businesses.

	No extent	Little extent	Moderate extent	Great extent	Very great extent	Mean	Std deviation
Government regulation about wages	0	0	0	70	35	4.33	0.30
Government regulation about taxation	0	0	0	60	45	4.43	0.28
Licensing/ permits	0	0	5	62	43	4.55	0.27
Unpredictable government policies	0	0	6	74	25	4.18	0.30

Source: Author (2013)

The study sought to determine the extent to which government policies and a regulation affects the growth of small businesses. From the findings, majority of the respondents indicated that licensing/ permits affects the growth of small businesses to a very great extent as shown by a mean of 4.55, government regulation about taxation affects the growth of small businesses to a great extent as shown by a mean of 4.43, government regulation about wages affects the growth of small businesses to a great extent as shown by a mean of 4.33. Finally unpredictable government policies were perceived to affects the growth of small businesses to a great extent as shown by a mean of 4.18 the finding hereby concurs with the GOK report (2006) that government policies that are unpredictable ,high taxation rates, all continue to pose great challenges, not only to the sustainability and growth of SMEs but also to the Kenyan economy. It is therefore the government’s responsibility to ensure that its policies that are formulated are helping and not hurting enterprises, creating

conditions for the small business to flourish. Licensing, permits and business regulations for instance are major challenges facing small enterprise.

TABLE 1
Government policies and regulations on the growth of small businesses

	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree	Mean	Std Deviation
The government policy before and thereafter has not been very favorable to the small enterprises.	0	0	12	59	34	4.21	0.24
Business environment is among the key factors that affect the growth of SMEs.	0	0	7	64	34	4.26	0.26
Complex licensing regime has impeded economic development of SMEs	0	0	6	65	34	4.27	0.27
Obtaining licenses is time consuming.	0	0	9	69	27	4.17	0.28

Source: Author (2013)

The study sought to determine the respondents level of agreement with the above statements which relate to the government policies and regulations on the growth of small businesses, from the findings majority of the respondents agreed that Complex licensing regime has impeded economic development of SMEs as shown by a mean of 4.27, Business environment is among the key factors that affect the growth of SMEs as shown by a mean of 4.26, The government policy before and thereafter has not been very favorable to the small enterprises as shown by a mean of 4.21 and finally that Obtaining licenses is time consuming, cumbersome, and costly and causes delays in starting new business hence

hampering private sector competitiveness. As shown by a mean of 4.17. The findings above concurs this concurs with the A report on licenses and permits (GoK, 2006), reported that the complex licensing regime has impeded economic development. An example is the transportation of agricultural produce across several local authorities where one is required to get a permit from each local authority this increases the costs of doing business, According to Wanjohi and Mugure (2008), small business environment is among the key factors that affect the growth of small enterprises. The government policies which are unpredictable, high rates of taxation and corruption pose many challenges, not only to the sustainability and growth of SMEs but also to the Kenyan economy that was gaining momentum.

4.6 Regression Analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences (SPSS V 20) to code, enter and compute the measurements of the multiple regressions

TABLE 2
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.691(a)	.653	.645	.19440

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable, from the findings in the above table the value of adjusted R squared was 0.645 an indication that there was variation

of 64.5% on growth of small and micro enterprise due to changes in training, access to credit and government policies and regulation at 95% confidence interval . This shows that 64.5% changes in growth of small and micro enterprise could be account for by training, access to credit and government policies and regulation. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in the table above there was a strong positive relationship between the study variables as shown by 0.691.

TABLE 3
ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.232	6	0.372	3.131	.048 ^b
	Residual	28.294	98	0.329		
	Total	30.526	104			

From the ANOVA statics in table above, the processed data, which is the population parameters, had a significance level of 4.8% which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The F critical at 5% level of significance was 3.131 since F calculated is greater than the F critical (value = 1.684), this shows that the overall model was significant.

TABLE 4
Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Constant	.298	.453		2.165	.006
	Training	.237	.160	.198	1.479	.012
	Access to credit	.231	.126	.245	1.834	.001
	Government policies and regulations	-.239	.145	-.008	-.065	.023

From the data in the above table the established regression equation was,

EQUATION 2

Regression equation

$$Y = 0.298 + 0.237 X_1 + 0.231 X_2 - 0.239 X_3$$

From the above regression equation it was revealed that holding training , access to credit and government policies and regulation to a constant zero , growth of small and micro enterprises would be at 0.298 , a unit increase in training would lead to increase in the growth of small and micro enterprises by a factors of 0.237, unit increase in access to credit would lead to increase in growth of small and micro enterprises by factors of 0.231, further unit increase in government policies and regulation would lead to decrease in growth of small and micro enterprises by a factor of 0.239. At 5% level of significance and 95% level of confidence, government policies and regulations had a 0.023 level of significance; training had a 0.012 level of significance while access to credit showed 0.001 level of significance hence the most significant factor is access to credit. Overall access credit had the greatest effect on the growth of small and micro enterprises, followed by training while

government policies and regulations had the least effect to the growth of small and micro enterprises. All the variables were significant ($p < 0.05$).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the discussion of key data findings; conclusion drawn from the findings highlighted and recommendation made there to the conclusions and recommendations drawn were focused on addressing the objective of the study. The researcher had intended to determine, how does lack of training affects small and micro enterprises growth in Kenya, to find out whether access of credit affect the small and micro enterprises growth, to determine the extent to which government policies and regulations affect the small and medium enterprise growth.

5.2 Summary of Findings

The study established that lack of managerial training affected the growth of small and micro enterprises to a great extent The study also established that respondents applied their managerial training more in deployment of finance resources and material, coordination , design of organization, directing, planning, controlling activities and finally in staffing areas. The study revealed that management is critical for the growth of every business enterprise because it is concerned with the deployment of material, human and finance resources with the design of organization structure. Education and skills are needed to run micro and small enterprises and there's a very strong positive relationship between management skills, owner/manager and the enterprise itself. Those with more education and training are more likely to be successful in the SME sector. Management experience is also vital for any business growth because it enhances the process of getting tasks accomplished by guiding people and motivating their efforts. In the role of education in business

performance one of the things that hold back the development of small enterprises is the need for better management style. It requires proper planning, organizing skills, control, and proper staffing with qualified and competent personnel

The study revealed that small and micro enterprises raised their capital through, own savings, from bank loan, borrowing from friends, and from pyramid schemes, which implies that majority of the entrepreneurs featured in this study weren't much informed of the current available means of accessing finance. The study further established that problems like access to credit and raising capital all affected the SMEs to a great extent; it was also revealed that most businesses were faced with the problems of addressing their finances. The study revealed that high bank charges and fees, lack of access to long-term credit for small enterprises, restrictive lending offered by commercial banks, high interest rates, limited access to collateral, lack of track record required by the banks and finally insufficient financing, all affected the growth of SMEs to a great extent.

The study established that government policies and regulations affect the growth of small businesses, to a very great extent; this implies that government policies and regulations hindered the growth of small enterprises. The study established that licensing/permits affect the growth of small businesses to a very great extent. Government regulation about taxation, regulation about wages and unpredictable government policies all affects the growth of small businesses to a great extent. The study established that complex licensing regime has impeded economic development of SMEs. Business environment is among the key factors that affect the growth of SMEs therefore government policies have not been very favorable to the small enterprises. Finally obtaining licenses is time consuming and this causes unnecessary delays to the entrepreneur. According to Wanjohi and Mugure (2008),

small business environment is among the key factors that affect the growth of small enterprises in Kenya, government policies that are unpredictable coupled with corruption, high taxation rates, all continue to pose great challenges, not only to the sustainability and growth of SMEs but also to the Kenyan economy that was gaining momentum after decades.

5.3 Conclusion

From the study the researcher concluded that lack of managerial training and experience affect the growth of small and micro enterprises. It was clear that the enterprises apply deployment of material and planning and that design of organization structure, coordination, deployment of finance resources and controlling activities and staffing.

From the study the researcher also conclude that, government policies and regulations affect the growth of small businesses. These include licensing/ permits government, regulation about taxation and unpredictable government policies.

The study finally concluded that the enterprises encounter problems of raising capital, accessing finance and accessing credit. Majority of the businesses obtained startup capital from self-financing. The enterprises face high cost of credit, lack of access to finance, lack of access to long-term credit for small enterprises, restrictive lending offered by commercial banks, insufficient financing and lack of information on where to source for finance.

5.4 Recommendations

The study further recommends that since lack of managerial training and experience affect the growth of small and micro enterprises; the government should come up with policies on training of business owners and managers especially on directing, staffing, deployment of finance resources and controlling activities.

The study also recommends that although government policy and regulations are important in bringing sanity to the SME businesses, the government should seek to address the pertinent issues like complex licensing regime that has impeded economic development of SMEs in the country. Other problems in licensing like the process being time consuming, cumbersome, costly which causes delays in starting new business hence hampering private sector competitiveness.

The study finally recommends that the financial institutions should adjust their tight regulations and credit policies and the means of determining the creditworthiness of the SMEs and the credit appraisal. The banks should come up with other means of establishing the creditworthiness of the SMEs without necessarily looking at their asset base but on their financial records. Towards this end, the banks should educate the traders on book keeping.

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APPENDIX I

Questionnaire

GENERAL INFORMATION

1. Gender of the respondent
Male Female
2. Age of the respondent
Below 20years 21-30 years 31- 40yrs
41-50 years above 50 years
3. Highest Level of education
Primary Secondary
College University
4. No of years worked in the enterprise
Below One Year 1- 5 Years 6-10 Years
11-15 Years Above 15 Years
5. What is the total number of employees in your business
Less than 5
5 – 10
Above 10

TRAINING

- 1) To what extent does lack of managerial training affect the growth of small and micro enterprises?
Very great extent
Great extent
Moderate extent
Little extent
No extent
- 2) To what extent does lack of managerial experience affect the growth of small and micro enterprises?
Very great extent
Great extent
Moderate extent
Little extent
No extent
- 3) To what extent do you apply experience as a manager in the following areas of your business? Use a scale of 1-5 where 5 Very great extent and 1 not at all

	1	2	3	4	5
Deployment of finance resources					
Design of organization structure					
Deployment of material					
Planning					
Staffing					
Directing					
Controlling activities					
Coordination					

4) To what extent do you agree with the following statements related to managerial training and experience? Rate where 5 is to a strongly agree and 1 is strongly disagree

Statements	1	2	3	4	5
Management and management experience is vital for any business growth for it enhances the process of getting tasks accomplished with and through people by guiding and motivating their efforts.					
There's a very strong positive relationship between Management skills, owner/manager and the enterprise itself					
Management is critical for the growth of every business enterprise for it is concerned with the deployment of material, human and finance resources with the design of organization structure					
Education and skills are needed to run micro and small enterprises					
Those with more education and training are more likely to be successful in the SME sector					

ACCESS TO CREDIT

5) What was the initial source of capital for your business start-up?

- Self-financing
- Borrowing
- Loan from bank
- Pyramid schemes
- Other sources

6) To what extent does this enterprise encounter problems related to the following? Use a scale of 1-5 where 5 Very great extent and 1 not at all

	1	2	3	4	5
Raising Capital					
Accessing credit					

7) To what extent does your business face challenges in financing business expansions?

- Very great extent []
- Great extent []
- Moderate extent []
- Little extent []
- No extent []

8) To what extent does the business face the following financial challenges that affect its growth? Use a scale of 1-5 where 5 Very great extent and 1 not at all

	1	2	3	4	5
Lack of access to long-term credit for small enterprises					
High cost of credit					
High bank charges and fees					
Restrictive lending offered by commercial banks					
Lack of access to finance					
Insufficient financing,					
Lack of track record required by the banks					
Limited access to collateral					

GOVERNMENT POLICY AND REGULATIONS

9) What are some of the challenges encountered related to government policies and regulations?

.....

10) To what extent do government policies and regulations affect the growth of small businesses?

- Very great extent []
- Great extent []
- Moderate extent []
- Little extent []
- No extent []

11) To what extent do the following aspects on government policies and regulations affect the growth of small businesses? Use a scale of 1-5 where 5 Very great extent and 1 not at all

	1	2	3	4	5
Government regulation about wages					
Government regulation about taxation					
Licensing/ permits					
Unpredictable government policies					

12) What is your level of agreement with the following statements on the effect of government policies and regulations on the growth of small businesses? Use a scale of 1-5 where 5 strongly agree and 1 Strongly disagree

	1	2	3	4	5
The government policy before and thereafter has not been very favorable to the small enterprises.					
Business environment is among the key factors that affect the growth of SMEs.					
Complex licensing regime has impeded economic development of SMEs.					
Obtaining licenses is time consuming.					

THANK YOU

APPENDIX II

Target Population

Business Category	Business Code	Description	Total Count
1	110	Micro Trader Shop or Retail Service	196
	115	Small Trader, Shop or Retail Service	495
3	315	Small Transportation Company	112
	335	Small Petrol Filling	40
	365	Small Storage Facility	41
	380	Small Communications Company	8
4	415	Small Agricultural Produce Processor/Dealer	44
5	515	Micro Lodging House With Restaurant Or bar	3
	518	Small Lodging House With Restaurant/Bar	2
	524	Micro Lodging House	3
	527	Small Lodging House Basic Standard	4
	546	Small Restaurant With Bar	9
	549	Large Eating House; Snack Bar; Tea House	5
	552	Micro Eating House; Snack Bar; Tea House	10
6	610	Micro professional services firm	3
	615	Small professional services firm	31
	630	Micro financial services	2
	635	Small financial services	3
7	735	Small private health facility	3
	740	Doctor/ Dentist/Physiotherapist	43
	760	Small Entertainment Facility	3
8	815	Small Industrial Plant	3
	825	Micro Workshop, Services-Repair Contractor	14
	830	Small Workshop Service Repair Contractor	44
Total			1,121

Source: Nairobi City Council, Licensing Department (2012)