THE PERCEIVED RELEVANCE OF NON-FINANCIAL BUSINESS DEVELOPMENT SERVICES OFFERED TO SMALL AND MICRO-ENTERPRISES IN THE CITY OF NAIROBI

By

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A Management Research Project Submitted in Partial Fulfillment of the
Requirement of the Degree of Master of Business and Administration (MBA),
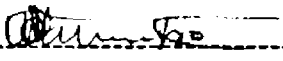Faculty of Commerce,
University Of Nairobi

November, 1999

DECLARATION

This research is my original work and has not been presented for a degree in any other university

Signed ---[signature]--- Date----15th NOV. 1999.

Wakah George Odhiambo

This research project has been submitted for examination with my approval as university supervisor

Signed----[signature]---- Date------15/11/99-----

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DEDICATION

To my loving dad, the late *Herbert Ongoya Mirindo*

ACKNOWLEDGEMENT

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List of Abbreviations

SMEs	Small and micro-enterprises
GM	General Motors
NSE	Nairobi Stock Exchange
SAPs	Structural Adjustment Programs
BPR	Business Process Reengineering
SOMAREC	Southwestern Management consultants
IDR	Institute for Development Research
NGO	Non-governmental Organizations
DFID	Department for International Development
K-REP	Kenya Rural Enterprise Program
UNDP	United Nations Development Program
ILO	International Labour Organization
IDS	Institute for Development Studies
ODA	Overseas Development Agency
GOK	Government of Kenya
PSI	Private Sector Intermediaries
GTZ	German Agency for International Cooperation
K-MAP	Kenya Management Assistance Program
BDS	Business Development Services
USA	United States of America
UNIDO	United Nations Industrial Development Organization
JETRO	Japan External Trade Organization

ABSTRACT

This study was conducted with the objective of finding out the entrepreneurs' perceived relevance of business development services received by the small and micro-enterprises (SMEs) operating in Nairobi city.

The focus of the study was on all small and micro-enterprises, which operate in Nairobi. The study however, zeroed in on those SMEs operating in the areas of Kibera, Kariobangi, Kangemi, Kawangware, Gikomba and Kamukunji.

The problems faced by these SMEs in their operations were the main areas of concern. The study set out to determine if the various non-financial business development services received by these SMEs were tailored to their need for these support services or they received them only because they either they were available or they had some indirect benefits attached to them.

The study had two main objectives: -

1) Determining the extent to which non-financial business development services available reached the SMEs operating in the city of Nairobi.

2) Determining the perception of the SMEs owner-manager on the relevance of the non-financial business development services offered to them.

The study hypotheses were set as: -

H_0: The non-financial business development services currently being offered to the SMEs in Nairobi are those that are perceived to be important to their development.

H_1: The non-financial business development services currently being offered to the SMEs in Nairobi are perceived to be unimportant to their development.

Earlier studies show that the SMEs in the City of Nairobi are not crowded in one region but rather clustered in certain parts of the city. The study therefore used a clustered random sampling method to choose the SMEs to interview. In each of the regions a simple random sampling method was used to choose the respondents to interview. The researcher approached the welfare associations for the SMEs in these regions and requested for a list of their members. The researcher then selected the names of the

enterprises to be interviewed randomly from the lists provided. The researcher choose to interview only permanent SMEs because business development projects target such SMEs. These types of SMEs are easier to trace, more accessible, reliable and easier to monitor. A sample of 80 SMEs was finally interviewed.

Primary data was collected through personally administered structured questionnaire. The study targeted the owners of these SMEs or the managers or owners' spouses concerned with daily operations of the enterprise.

The data obtained in the study was then coded and feed into the computer. An SPSS computer package was used to analyze the coded data. Through this package, the data was tabulated in the form of frequencies and percentages. These descriptive statistics were used to answer the first objective above.

The second objective was analyzed through a cross tabulation of the business development services required and received by the recipients (SMEs) of these business development services. Chi-square tests of independence values for each of these cross tabulations was obtained from the computer out-put. These chi-square values were then compared to the critical values obtained from the table at 95% degree of confidence. Where the chi-square values exceeded the table critical values, the study concluded that the business development service offered was not relevant to the recipients (SMEs) needs.

The respondents interviewed said their businesses were either experiencing moderate or poor business performance due to the various existing business problems. The main problems faced by these SMEs included low demand for their products or services, poor marketing strategies, use of outdated tools and equipment or lack of these tools and equipment all together, lack of skilled personnel, and poor bookkeeping. Most of these entrepreneurs also complained that they lacked both information and access to government contracts among other lucrative business contracts. Majority of these

entrepreneurs ranked these problems as very serious in hindering their enterprises' growth and development.

The study results showed that business development services requirements far exceed the supply for these services. Most of the SMEs are lacking the relevant business development services they require. Those SMEs owner-managers who received business development services felt they were receiving support services that were not relevant to their needs. When the study explored the type of non-financial services these entrepreneurs considered crucial in their quest for business progress, marketing, business linkages, technical assistance and training on bookkeeping and loan management were the ones ranked as very important by about 20% of the respondents. Over 35% of the respondents however ranked these same support services as important

The study showed that the need for relevant business development services as perceived by the SMEs owner-managers in Nairobi is very high. Most (over 60%) of the entrepreneurs are looking for business development services that best suit their needs. Since these SMEs have individual unique business development service needs but the concerned organizations only provide general business development services, they fail to meet the support service requirements of these enterprises. The provision of developments services in the city of Nairobi can be said to be supply-driven rather than demand-driven. This conclusion is supported by the fact that only two of the eight business development services studied were found to be relevant to the recipients needs. Further, all the support services studied are experiencing excess demand. Some providers of these services only offer them to their client (SMEs) because they have either the necessary skills or resources required and not because they have carried out a need assessment and discovered the demand potential in the service they are offering. The achievement of proper SME development will best take place if the business development services are demand driven. To achieve this objective, the providers of these support services should carry out research into the real business development service needs of their potential client SMEs and aim to satisfy these requirements effectively and efficiently.

1.0 INTRODUCTION

1.1 BACKGROUND

Entrepreneurship has been and continues to be the main engine of economic development and success in any part of any continent of this entire World. Interest in Entrepreneurship took and continues to take a central position in the minds of most people. In the United States for example, in the 1970's most young graduates aspired to head the General Motors (GM) company or become chief executive officers of one of the many large companies which existed in their county then, today however most of them aspire to open up their own businesses.

Rapid population growth in the Sub-Saharan Africa and especially in Kenya coupled with slow economic growth worsened the situation in the country. Kenya's population grew by 3.7% in 1996/97 yet the economic growth at that time was 3.1% and below in later years (NSE, 1997)

The above scenario result into poor living standards, unemployment and a general rise in poverty. Recent economic trends like recession of 1996 – 1998 has affected economies like Japan, United States, and Germany. Businesses have not been able to expand due to the trickle effect resulting from the above trends.

The emergence of concepts like Business Process Reengineering (BPR) as a business strategy in the early 1990s, resulted into restructuring which in many companies, included, laying off or retiring their employees earlier than the required retirement age. Structural Adjustment Programs (SAPs) also saw the reduction of Government and Parastatal Organizations work force for the purpose of streamlining these organizations operations (SOMAREC, Aug/Sep, 1996). Many people, who were employed both in the private sector and public sector, unexpectedly lost their jobs. These people (who lose their jobs or retired early) later on become desperate and miserable. They have no person or place to turn to for help and livelihood. There's is a need however for independence and security in a persons life. Ownership of private business enterprises therefore become a solution to problems of unexpected early retirements and unemployment.

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1.0   INTRODUCTION

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Most of the developing economies like Kenya have the potential for developing entrepreneurship, what they lack however is enough capital to enable their citizens to invest (Aleke-Dondo, 1989). The banks in this region by the mere fact that they are commercial in nature and because of the level of risk involved are forced to charge high interest rates, which instead of stimulating investment, ends up prohibiting it. The only opening to the government (as the Kenyan government realized around 1986) is to stimulate the rate of development of small and micro-enterprises (Aleke – Dondo 1989). According to a report by Mutua and Mirero (1989), from their observation of the development of small and micro-enterprises in Bangladesh, it revealed that the informal sector was also very important in bringing about economic development in the country. Due to the serious commitment towards the development of small and micro-enterprises in Bangladesh, Grameens Bank was developed to concern itself with nothing other than improving the poor living standards of the poor people in Bangladesh. The Bank is not commercial in nature but rather as a facilitator of rural development.

This account above shows how important small and micro-enterprises are to any country. The small and micro-enterprises however face a lot of problems as studies in the literature review below reveal. These small and micro-enterprises need proper business support to ensure that they grow and develop well. This study therefore studies the perceived relevance of the non-financial business development services available to the small and micro-enterprises in Nairobi.

1.2 The Role of Small and Micro-enterprises

Entrepreneurship is too often cited as a solution to all kinds of economic problem and social ailments in many parts of the world. "Like the magical properties of "Snake– oil", governments and entrepreneurship advocates alike are increasingly experimenting with entrepreneurship 'care' (Dossajee, 1992).

The role of Jua Kali (informal) sector in providing products, employment and earning opportunities has emerged as a matter of special importance. This is evidenced in Kenya's policies as articulated elaborately in the sessional paper No.1 of 1986, the development plan for 1989/1993; 1993/1997 and 1997/2001 and a new sessional paper No. 2 on small-scale enterprises and Jua Kali development in Kenya (GOK, 1992). The atten-

tion in the small and micro-enterprises (SMEs)[1] or the informal sector (as stipulated in the study of Aleke-Dondo, 1989) has been due to the following reasons: -

- Employment grew faster in the informal sector than formal sector between 1983 – 1987.

- Goods and services generated in the informal sector have low foreign exchange content. Mostly local goods are used as raw material; therefore they provide market for local produce and supplies, which is relevant to government's effort and also saves of foreign exchange.

- This sector improves the economic position of women (who own and manage micro enterprises) by providing a source of income for them. Studies also reveal that most school 'Drop outs' end up in this sector. So youth and women welfare is best handled in this policy.

- The sector is pre-dominantly Kenyan-owned and operated. This augurs well with the policy of Kenyanization of the economy.

- It focuses on the strategy of District focus of Rural Development. This ensures equitable development of all the regions in Kenya and reduction of rural-urban migration, which has become a menace.

- The sector is quite dynamic which makes a proper forum for future industrialization.

According to Parker and Torries (1993), the SMEs are also being used to achieve the following broad development objectives: -

- Promotion of national and regional socio-economic development;
- Alleviation of poverty and assistance of the disadvantaged members of the society;
- Employment promotion;
- Provision of socio-economic linkages;
- Facilitation of the transition to market economy; and
- Promotion of a more flexible, innovative and competitive economic structure.

The small-scale sector has experienced some problems. Studies by Institute for Development Research (IDR,1972), Aleke – Dondo (1989), revealed the following problems in this sector

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[1] Small and Micro-enterprises will here after be referred to as SMEs

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- Limited Access to Raw Materials and supplies.
- Lack of institutional credit and lack of managerial skills because these enterprises lack collateral for loans.
- Marketing problems.

Some efforts have been expended but these problems have not been completely solved. For example over 100 non-governmental organizations and other Donor agencies are currently operating in various parts of Kenya and their main aim is to stimulate sustainable development of SMEs in the country. Most of these NGOs and Donor agencies are preoccupied with the provision of credit (Loans) to small-scale enterprises. Some of these loans are given at manageable rates to allow for ease of payment. Other NGOs and Donor agencies however are concerned with the provision of services like technical assistance, marketing, training and extension services (also known as client or business development/support services) to the SMEs. The British government alone through its Department for International Development (DFID) increased its spending towards the development of SMEs in Africa from sterling pounds 0.3 million (about Kshs.30 millions) in1992-93 to sterling pounds 10.1 millions (about Kshs. 100 million) in 1996-97 (IDS 1998).

1.3   DEFINITIONS

1.3.1   A Business

The term Business can be defined as 'An enterprise which provides goods and services for satisfying the needs and wants of people. Businesses also give suppliers of materials, labour and the owners, sufficient payment or rewards for their suppliers, hours of work or investment respectively (Kilonzi 1992). Enterprise is defined, as any income earning activity that is not in primary agriculture or mineral production. (Parker and Torries, 1993) Business can also be defined simply as an economic activity more or less intended to make a profit. According to Farbman (1983), one can define a business in terms of: -

- Total Assets – all that a business owns
- Net worth – business Assets less what it owes.

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- Net profit – what is left from gross profit after business expenses and businesses income taxes have been paid.
- Employees – total number of workers and managers listed on the payroll
- Income – net sales, the total sales less returns allowances and discounts.

All the above descriptions describe a business and tell something about the size of the business.

1.3.2 Small Business.

It is difficult to define a small business because size is a relative term. The definitions differ according to the type of study one is carrying out or the size of the economy being studied. Criteria used in a given country or study also differ depending on the purpose of classifying the business into the categories of small, medium or large. Ombok (1990) points out that the point under which an enterprise is deemed to be small and the way in which its size is measured has been a debatable subject for a long time. There is no general consensus as to the definition of what a small, medium or large business is. Classification of a business into whether large, small or medium scale, is of subjective and quantitative judgement. Itoh and Urat (1994) point out that while in countries such as the United States, Britain and Canada, Businesses are defined in terms of annual turnover and the number of employees, in Japan such businesses are defined in terms of paid up capital and the number of employees. For example, while in Britain a small business is an industry with an annual turnover of 2 million pounds or less with fewer than 2000 paid employees, in Japan a small business is a manufacturing firm with 100 million or less Yens paid up capital and 300 or less employees.

In Nigeria there is no single definition of a small-scale business enterprise. In the 1990 budget, Federal Republic of Nigeria defined a small-scale enterprise (for the purpose of Commercial Banks Loans), as those with turnover not exceeding 500,000 Nairas while for Marchant Bank loans as those enterprises with capital investments not exceeding 2 million Nairas (excluding cost of lad) or a maximum of 5 million Nairas, (Ekpenyona 1992). Belandress (1987) defines small-scale enterprises as the manufacturing or non-manufacturing service enterprises in which the owner manager is not necessarily actively engaged in production but performs the various tasks involved in guidance and leadership

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without the help of a specialized staff. He further defines micro-enterprises as those which are mainly family based, unregistered by the Government or lack collateral as assets that are bankable.

The United State Committee for Economic Development (1978) outlines in one of their reports that a small-scale business has two or more or the following characteristics: -

- Management independence: usually in small-scale enterprises, the managers are also the owners.
- Capital supply and ownership: an individual or a small group of individuals who hold the ownership supplies capital.
- Areas of operations in small-scale businesses; areas of operations mainly local, workers and owners are in one home community but the market need not be local
- Size within industry is relative: Usually the business is small when compared to the biggest firm in its field.

Kilonzi (1992) concludes that analyzing the problems facing the small-scale enterprises sector in Kenya is even complicated further by differences and ambiguities in the terminologies used. To him, small-scale is a general term, which refers to firms whose size is in some way limited.

For the purposes of this study, the Government of Kenya (GOK), International Labour organizational (ILO)/United Nations Development Programs (UNDP) center project definition of small-scale enterprises will be adopted. It defines small-scale enterprises as those consisting of zero to fifty employees. According to Farbman and Lessik (1989), the definition includes all small-scale sectors which comprises of the following subsections: -

- A survival subsection comprising of the "poorest of the poor" engaged in economic activities of the last resort, whose returns are extremely low.
- A micro enterprise subsection made up of firms with up to ten workers using traditional technologies and servicing local markets. These firms are said to correspond to ILO version for the informal sector, and to be found in rural and urban areas. They account for the major part of employment in retailing services and transportation business.

- A small-scale enterprise subject comprising of large firms having between ten to fifty workers. The share in employment of this subject is smaller than that of micro enterprises though the firms in it are more efficient.

1.4 Research Problem

The Kenyan Government, like governments of other developing countries, regards the micro and small enterprise sector as a significant sector for socio-economic development. The government has therefore identified this sector as a primary means for sustainable socio-economic development. This sector has been pinpointed in the Kenya government policies to be the main engine of Kenya's industrialization by the year 2020. It is in this regard that the government is engaged in the promotion of SMEs development whether directly through it own agencies or indirectly through other agencies (e.g. non-governmental organizations, private consultants etc).

A baseline survey by the K-REP carried out in 1993 revealed on one hand, that over 910,000 SMEs were operating in Kenya and had employed over 2 million people. The survey also pointed out that about 270,000 jobs are created each year by the same SME sector (Parker and Torries, 1993). On the other hand however, out of the 613 NGOs operating in Kenya, about 100 of them are involved directly in the provision of support services (whether financial or otherwise) to non-agricultural enterprises. Over three fourth (78%) of them are either operating or are headquartered in Nairobi.

A benchmark study, undertaken by the Institute for Development Studies (IDS concerning project monitoring and evaluation) in the area of non-financial business promotional services revealed that the importance of the non-financial business promotion services provided to businesses lay with the fact that these services are "the lubricants for the engine of SMEs development". Meaning that they help businesses overcome various performance constraints.

Despite the above scenario (good employment creation rate and serious involvement in SMEs development), the survey by Parker and Torries revealed that only 38% of the

SMEs in Kenya actually experienced expansion. 58% of them remained stagnant in terms of employment while 4% contracted. These results could be due to lack of proper understanding between the demand verses supply of these non-financial business development services.

The providers of non-financial business development services have been faced by one major question. When engaging in the provision of non-financial business development services, should it be based on SMEs needs?

Two reasons why the above question should be answered are outlined by UNIDO/GTZ/ILO, (1997) in their guideline report to the donor community concerned with provision of non-financial business development services to the SMEs in the world. The reasons are: -

1) Organizations involved in the provision of the support services should develop services for which there is a demand from user SMEs: i.e. where SMEs feel they need it and are prepared to pay for it. An increasing number of SMEs are paying out for the services they feel will bring recognizable benefits.

   (This is also referred to as demand driven support services provision)

2) The priority towards being demand-led should not be regarded. The SMEs objective needs cannot be the basis for designing the provision of non-financial business development services. There is a feeling that the SMEs do not know what is of interest to them, that they do not have perfect knowledge of all the factors (e.g. marketing opportunities, business management practices, technological trends e.t.c.) pertaining to their business. The providers of these services who have these knowledge should then go ahead, form the organizations which can provide a given form of assistance and the convince the SMEs that that is what they need.

   (This is also referred to as supply driven support services provision)

This study therefore sought to determine if the non-financial business development services that are received by the SMEs entrepreneurs in Nairobi are in fact relevant to their perceived needs for these business support services. Meaning that, are the business development services supply-driven (depend on expertise and funds availability only) or demand-driven (depend on expertise and funds availability coupled with demand for these services arrived at after thorough research).

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1.5 Objectives and hypotheses of the study

The study had two main objectives: -

1) Determining the extent to which non-financial business development services available reached the SMEs operating in the city of Nairobi.

2) Determining the perception of the SMEs owner-manager of the relevance of the non-financial business development services offered to them.

The study hypotheses were set as: -

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1.6 Importance of the study

This study will be important to the following groups of users: -

The providers of non-financial business development services.

These set of users (who include the government agencies and non-government organizations) will be to identify the non-financial business development services perceived by the entrepreneurs to be very important for the development of their SMEs.

The potential providers of non-financial business development services will be able to identify from the findings of this study, the areas of deficiency in which they can make a meaningful contribution if they decide to engage in the development of SMEs in Kenya.

The users of non-financial business development services.

This group of users will find the study useful in their need to determine the areas in which these services have been very successful in providing its users with the relevant services.

The Government

The government has identified SMEs as the main means by which to attain industrialization by the year 2020, as stipulated in most of its development policy papers. The development of this sector is therefore of prime importance to the government. The findings of

this study will enable her to identify the most relevant non-financial business development services that they need to focus on in order to develop their SMEs. The study will also enable the government to note the areas of deficiency that need to be addressed in order for them to attain meaningful development through SMEs.

The academic community

This study will add to the body of knowledge available in this area of small and micro-enterprises. It also will form a basis for further research in this area of small and micro-enterprises development.

1.7 Organization of the study

The research project is organized in five chapters. Chapter one (which is already developed above) consists of the background, the statement of the research problem, objectives, hypotheses and importance of the study. Chapter two consists of the literature review. A state of the art of non-financial business development services

Chapter three deals with the aspects of research design namely population of the study, sample design, data collection methods and instruments of data analysis. Chapter four deals with research findings after the data analysis was carried out while chapter five deals with summaries, conclusions and recommendations resulting from the study. It also addresses the limitations experienced in the study and recommendations for further research.

2.0 LITERATURE REVIEW

2.1 Introduction

The available researches in the field of SMEs are mostly in the general areas of management, financing, policy environments etc. In depth studies in the relevant areas of SMEs operations and development are however very limited. Very few deeper researches exists on the assessment and contribution of non-financial client or business support services per se in the development of small-scale enterprises and especially the impact of these services on the development of SMEs. The much scholars do in this area is to highlight in passing whether these aspects are important or not to the donors and its beneficiaries

This study therefore has been prompted by this need and drives to make a contribution to this area. This area has been found to play an important role of complementing the financial support services in the effort to promote entrepreneurhip development in any country. Non-financial business development services are also considered very crucial to the development of SMEs (IDS, 1998).

Studies done in these field of SMEs, concerning business success, management (and mostly credits availability, disbursement and management), donors and entrepreneurs attitude on their business concerns outlines many problem that the SMEs encounter. Some of these problems are outlined in the section below.

2.2 Problems of Small-scale Business Enterprises

Problems are the reasons why people, and even business concerns look out for help, whether from friends, relatives or from business consultants. The SMEs, just like the large firms have there own unique problems, which must be solved in order for them to succeed in their mission. The research studies highlighted below reveal some of these problems encountered by the SMEs in the process of their operations and they give us an insight into understanding why business support is important in the development of SMEs.

Mwangi (1975) studied the major problem inherent in the Africanization of distributive trade in general and small-scale retail trade in particular. He found that problems and constraints inhibiting the progress of the shopkeepers were lack of capital, lack of busi-

ness experienced, and training, high level of dead and slow moving stocks, purchase of unnecessary prestigious equipment, uncontrolled withdrawal, excessive credit and cultural obstacles.

Kessio (1981) studied problems facing small businesses and the effect of management training on the performance of the proprietors. He took a case study of Nandi district and from the study he concluded that businessmen differ in their backgrounds and invariably their business operations reflect this background. Kessio emphasizes the fact that the courses offered to such businessmen would be less effective when they cover very wide areas. There is need to tailor training to the unique needs of the various entrepreneurs or groups of entrepreneurs with unique problems. These unique problems were found to include problem such as supply and transportation, financial management, insufficient number of customers, competition from other traders, lack of book-keeping knowledge and persistent request by customers for credit purchases.

Mbuvi (1983) studied the causes of failure in small businesses and revealed that the problems that confronted businesses in his area of study (Machakos) were mainly of two categories.

- Internal problems: Those directly associated with businessmen themselves and within their control. This include problems like big family size, high school fees requirements, inadequate business management skills etc.
- External factors: Those beyond owners control and they originate from the businesses external environment. These include problems like hawkers presence, drought (prevalent famine in Machakos district), the defective distribution and licensing system – where the distribution agent are not allocated trade credit and therefore may not carry sufficient stock to satisfy retailers needs.

Maalu (1990) studied the factors influencing record keeping in the small-scale enterprises. He took a case study of micro-enterprises in the Eastlands area of Nairobi. He sought to find out the nature of business records the small-scale entrepreneurs kept and the factors that influence the nature of record keeping. His study found out that 72.2% of

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micro-enterprises sampled in his study kept no records or kept only the simple transactions records. The most popularly kept book of account was the cashbook and it was not kept in the conventional accounting manner.

The study also revealed that the most commonly prepared record on the periodic performance was the trading and profit and loss account which was mainly done by the entrepreneurs themselves and was prepared in the hard cover books (and not in the proper accounting books). In the study, he (Maalu) ranked factors influencing record keeping in the order of their importance and came up with the following ranking: - Education, the mode of financing, business training, experience and the nature of ownership. The insignificant factors from the study were found to be size (as measured by the number of employees), the industrial-sector in which the enterprise belongs and the age of the business.

Ombok (1990) studied the factors that determine entrepreneurial behavior, (a case of small-scale enterprises in Kisumu town). She singled out the features of entrepreneurial behavior as risk taking, innovativeness, individual responsibility and knowledge of results. She also established the factors that determine entrepreneurial behavior to be education, experience, motivation, and commitment by investors, access to credit, ethnicity and political connections.

Kilonzi (1992) carried out an investigation in to the problems faced by small-scale indigenous businesses as perceived by the owners. He took a case of Kitui town. In his findings, two categories of problem emerged just like in the study by Mbuvi above.

- Internal problems, which included problems, like improper business records and lack of formal education.
- External problems like drought and/famine, high loan interest rates, and lack of customer/market and short credit periods for loans.

Most of the problems of SMEs above are as a result of lack proper education, experience or motivation on the part of the entrepreneur. There is therefore the need for these entrepreneurs to be given proper non-financial development services in order to enable them

to carry on with their businesses successfully. These services however should be tailored to the unique needs of the individual entrepreneurs in order to achieve proper results.

GOK/ILO/UNDP (1989), in their study on the strategies for small enterprises in Kenya discovered that, business is particularly sensitive to availability of good roads, electricity, water supply and commercial plots. Even at the international level, infrastructure is used as a means of attracting investors into any country. Investors follow good infrastructure besides a good market potential. The infrastructure include good roads, electricity provision, availability of clean water, good communication system, health facilities just to mention a few. ✓

Provision of basic infrastructure lags behind the population growth in Kenya especially in small rural shopping centers. The provision of such facilities has been more than wanting. There is poor road network in the county not to mention the fact that water provision is almost a forgotten case. The rural electrification program, which started in the early 1980s under the district focus for rural development has been more than a failure

Another area that has been a concern of policy is land. Legal regulations relating to the premises on which SMEs operate have been a matter of concern, since majority operate on premises considered in official circles as illegal. Specific issues include: availability of premises and need to expand them; location of enterprises in private or public land; informal plans and infrastructure on which they are located and statutory protection in business premises. These issues also affect the provision of a number of essential services such as power, water and sanitation. For example, most SMEs are located on public land and/or private land without legal title making them unable to access electricity, because Electricity Power Act (Cap 314) limits power installation to "permanent" and secured properties.

The government has been addressing the issue of land and infrastructure through the Small and Jua Kali Division of the Ministry of Planning and National Development (MPND). The division is charged with coordination of implementation of various activities and endeavors undertaken by key actors - mainly Government of Kenya line Ministries, private sector and NGOs promoting the SMEs sector. The division also monitors the implementation status of various policies and programs, identifying possible capacity

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gaps and assessing the impact of policies and programs on target beneficiaries (deregulation section, undated). Thus, through the program, the government aimed at mobilizing resources for sheds, access roads, water and electricity, among others. The stated policy has hardly been realized, partly due to ineffective resource mobilization and bad regulations and procedures.

Besides the stated policy and the few programs that the government has put in place, an assessment by the Overseas Development Administration, now Department of International Development (DFID), identified dismal performance with the execution of SMEs policy framework. The assessment notes that the poor performance is not due to lack of program and project initiative but a combination of factors of which three are stressed. The first is failure to address key issues for SMEs such as land, infrastructure, and credit; and failure to establish an enabling environment through deregulation, especially at micro level. The second is the negative attitude of many influential policy makers towards SMEs. The third is the fact that SMEs are regarded as an isolated sector rather than as a central issue of development strategy (ODA 1994). The poor performance is clearly reflected in the stringent regulations and procedures relating to SMEs.

This report also found out that most written regulations and procedures in Kenya owe their origin to the colonial period, when regulations were aimed at controlling and regulating growth of indigenous enterprises. At independence, other regulating requirements were introduced by Kenya Government to ensure that certain types of business activities were reserved for Kenyans of African origin. In fact Africanization of the economy was stressed in the sessional paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya. Over the years, the regulations and administrative procedures multiplied and with passage of time the regulatory framework proved a major impediment, particularly to the establishment and growth of African owned business that they were intended to support, protect and promote. These regulations which impede development and especially SMEs need to be deregulated in order to promote development. Some of the laws that actually affect the development of business activities in general are*Hotel and Restaurants Act (Law of Kenya Cap. 498), The local Government Act (Laws of*

Kenya Cap 265) (empowers local authorities to enact by-laws prohibiting, controlling various traders and occupations).

The report further points out that the impact of regulations, is felt by individual businesses, the government and the final consumers. This impact includes administrative and enforcement cost of the regulatory authorities, direct costs on business, indirect costs arising from market distortions and compliance costs (understanding regulatory, applying for licenses, etc) and opportunity costs. The non-compliance costs such as convictions, social stigma due to harassment and confiscation of property and indirect costs arising from lack of competition constitute a major threat to business enterprises. Incidences of harassment by law enforcement officers have increased over the years for enterprises, which failed to comply with some of the regulations. In early 1990s about 47% and 15% of SMEs had been fined between (Shs 500 - 3000) and imprisoned for 1 - 3 months respectively. About 81% had bribed law enforcement officers in Mombasa to avoid penalties.

Most existing laws and regulations have high cost of compliance to the entrepreneur. They also divert skilled resources away from productive activities. For instance, the long bureaucratic procedures involved in obtaining and renewing the license impose heavy costs to both entrepreneur and administrators. Further, entrepreneurial skills may be diverted from business activities into regulatory avoidance and evasion while skilled personnel may waste their time dealing with papers and bureaucracy. The fact that many registration functions are centralized at the registrars office in Nairobi and multiplicity of licenses is required for one activity further raise costs of entrepreneur.

The deregulation section has observed that by reducing the costs of setting up and operating business, and by opening up competition, deregulation can act as a powerful tool for improving economic efficiency, raising economic growth and increasing employment opportunities. Other benefits would include, facilitation of more extensive and stronger linkages among SMEs and other sectors of the economy, and thus helping to maximize the impact of investment in SMEs (GOK/ILO/UNDP, 1989).

Gichira (1991) studied 52 enterprises in an effort to determine problems facing entrepreneurs in Kenya. The study revealed that the major constrain to small-scale enterprises development is failure to manage efficiently on the part of the entrepreneurs and poor legislation on the part of the government and other regulating bodies.

A report from the United Nations office of special coordination for Africa and other Least Developed countries (1994 p. 45) found out from their survey that among the several problems of small-scale enterprises are: -

- Lack of marketing skills
- Inadequate infrastructure
- Insufficient institutional support
- Lack of access to technical training
- Insufficient training of human capital
- Negative perception that customers have towards the enterprise.
- Lack of credit facilities.

A part from the last problem, the rest of the problems above fall in the area of client or business development/support services. The best way to solve them would therefore be to develop proper schemes to handle these issues. Further studies by Friedrich Abert Stiftung (FES), reveal that other problems of small-scale credit firms apart from credit and financing availability include the fact that The trained employees and entrepreneurs in these SMEs:

- Lack business Acumen and are reluctant to take risk and individual initiative.
- experience serious lack of business support service on the part of the organizations giving funding to this organization. (FES credits Evidence Association in Kenya 1990).

The Institute for Development Research in its 1972 Report to the Ministry of Finance and Planning recommend that among the strategies for developing rural areas in Kenya is the promotion of small-scale industries and businesses based on entrepreneurship. It proceeds to define entrepreneurship as a practical, creativeness, which combines resources and opportunities in new ways (IDR Paper A 72 10 pp2). This means that provision for finan-

cial services are not enough, one needs to go further and enhance the profitability of the funds provided through support service provision to the entrepreneurs. New businesses need to have a proper leverage, proper businesses premises in strategic areas. Administration should be very professional. IDR therefore recommend a proper pre-financing training and advisory services to ensure that the businesses that are yet to be formed are given proper attention which will contribute to its success. To achieve the above, the institute advises that proper pre-training and business formations and management's are very necessary. IDR concur with Summer that education and experience are no guarantee to rural small-scale success however courses like:

- How to start and manage a small-scale business
- How to start and manage small-scale manufacturing projects.
- Actual encounter with real life through demonstrations about practical issues like problems of managing a sturbon customer or client is very much helpful.
- Other course deemed necessary by other scholars includes marketing and small-scale business, quality and value addition as a strategy to maintains customers.

Sarder, Ghosh and Rosa studied the importance of support services to SMEs in Bangladesh. The study covered various perspectives of performance in SMEs and their relationship with the support services that were given to these SMEs.

The results of the study revealed a significant difference between the performance of SMEs, which received assistance and those that did not. Firms with support experienced significantly higher growth in sales, employment and productivity. The study after naturalizing the moderating variables in the analysis revealed that the better performance was attributed to the support services received by these SMEs.

SMEs with extensive support service experienced significantly higher growth than the ones with limited support services. Interesting to note however is the fact that SMEs with financial support services did not have any significant difference in performance with the ones with non-financial support services. Further analysis however showed that the SMEs with financial services had a significantly higher performance than the ones with non-financial support services. This controversy remains an issue to be given further research.

The analysis of the relationship between elements of support services (extent, type and intensity) and measures of SMEs performance were also studied.

Growth measures (sales and employment) were significantly positively correlated with extent and intensity of the support services. So the extent and intensity of any support service will affect its performance.

2.3 Non-financial Business Development Services

The studies above reveal that the SMEs have very many problems, which make them unable to operate successfully or achieve the objectives for which they were formed to achieve. The report by GOK/ILO/UNDP (1989) revealed that the problems of SMEs like any other business depend on the level of entrepreneurial activity. The support service given in terms of pieces of advice and counseling must therefore addressing the unique problem facing the firm at that particular time. The report points out that business development services best achieve their set objectives when they are tailored made towards the unique problems of the enterprises involved. These support services are best utilized when offered depending on the stages of growth of a business. The report states that each stage has its unique business problems and support requirements. Business development given at each stage will focus on achieving the following objectives: -

Pre-start stage

Here the people to be addressed are those with the potential of entering into business. They mainly require information regarding self-employment as a career option. The skills and attitudes regarding entrepreneurship should be developed. Promotional programs should design courses dealing with small business management and ownership. Workshops on how to start a business should be organized by the local chamber of commerce and industry. Information on the available sources of finance for starting small businesses should also be given.

Start up stage

The entrepreneur is already committed to starting up a business. They require information on how to develop a proper proposal that could help them obtain funding from any institution of their choice. The entreprenuership programs on how to develop a business pro-

posal are quite helpful. The issues to be addressed include information about the technical aspects of proposal development like the market analysis, financial controls etc.

Information about the technological options available should also be provided. Here the issue of technical assistance in machine analysis and purchases are also important.

Maintenance stage

At this stage entrepreneurs change from being entrepreneurs to being managers. The SMEs therefore require the non-financial business support more than the financial support. The support required mostly include market information, knowledge of competitors growth and their possible strategic plans, knowledge of the entrepreneurs own strengths and Weaknesses, skills to be upgraded and the strategies to adopt in order to stay more competitive than others.

Growth and maturity stage

The entrepreneur has gained a lot of experience by the time he/she approaches this stage. Only the entrepreneurs with the abilities to take advantage of the other opportunities in the economy will survive beyond this stage. To do that, additional risks need to be taken together with responsibilities, which accompany the enterprise new direction adopted. In Kenya, it is at this stage that the enterprise begins to make an impact in the economy in terms of the provision of employment and growth (GOK/ILO/UNDP,1989). The skills required by the entrepreneurs include those that can help them form strategic alliance, expand outside their economies, subcontracting for efficiency and effectiveness others skills, which can help the enterprise to avoid declining and falling. Here the entrepreneur must now adopt and use more of the management rather than their entrepreneurship skills.

UNDP/ILO/GOK (1989) research revealed that aid to small-scale enterprise development is justified by two important factors: -. The importance of these small-scale businesses and micro finance institutions to the economy, and the specific disabilities and constraints suffered by the sector (both those arising from capital, a countries business policy and market information failure) on the other hand. Not forgetting the inappropriate laws and regulations. Its effectiveness depends on fruitful policy dialogue and effective, low cost

outreach through local intermediaries including NGOs, which are closer to target groups, and therefore more effective aid deliverers than the government agencies.

In recognition of the foregoing, a lot of energy has been exerted and finances disbursed towards the development and nurturing of entrepreneurial activities through NGOs in conjunction with international donors. These services however cannot be very fruitful unless proper business development/support services accompany the financial provision activities. These donor agencies should consider giving services in the following areas: - Finance, technical assistance, marketing, enterprise development and any other area felt very relevant.

A baseline survey by the institute for development studies (IDS) in 1998, on the non-financial business development services offered to the SMEs in Kenya revealed that various organizations are involved in this activity. They include NGOs, World Bank sponsored projects, government agencies, and even private companies which operate purely on profit making objective. The goal of private sector intermediaries (PSI) funded by DFID is to enable poorer members of the society both in urban and rural areas, especially women, to improve their incomes, increase their assets and reduce their vulnerability. This is achieved, at a purpose level by enabling individual through their own effort to gain more access to income earning opportunities. This in turn is achieved at output level, by assisting in creating effective and sustainable institution and instrument for small and micro-enterprise development within a dynamic private sector (IDS, 1998).

Non financial support service provision to small business enterprises must however be carried out by a highly motivated and disciplined work force (e.g. field extension officers) who will give not only offer proper pieces of advice but also help each businessman or entrepreneur depending on his/her unique situations and needs. A follow up must be carried out to ensure problems are detected and corrected in time.

There is however need to determine the various non-financial support services, which are relevant to the unique problems mentioned above. The next section therefore outlines the various Non financial support services that need to be offered to the entrepreneurs for effective business development.

UNIDO/ILO/GTZ (1997) outline that development of SMEs is done through various methods. These methods are referred to as business development service/business development services or business support instruments. There are many non-financial business development instruments that are used to develop SMEs in various parts of the world. These instruments can be classified into three major categories. *Micro level, Meso level and Macro level.*

MACRO-LEVEL support services/instruments are intervention aimed at the national level i.e. national policy and regulation. Potentially, the impact of these is very significant since policy usually tend to have a large outlook. The interventions focus on fulfilling the following objectives:

Stable macro-economy: financial discipline in the government, a prudent approach to fiscal management, a commitment to low inflation rates, tax and financial sector reforms are among the prime important issues in the development. The formation of a macroeconomic framework creates the best environment for development of SMES and business in general.

Competitive micro-economy: freeing prices and markets so that prices act as key signal to producers and consumers. Developing regulatory framework to ensure competition, including eliminating unnecessary barriers to market entry; developing legal and property rights that facilitate enforcement of commercial contracts; investment in information and in physical infrastructure such as transport to minimize transaction costs.

Global linkages: openness to trade, investment and ideas through reducing (tariff and non-tariff) barriers, encouraging foreign investments and the transmission of technologies which may come with it, allowing relatively free movement of people and, on the basis of a realistic exchange rate, encouraging exports.

The points above form the basis of structural adjustment packages which is followed by a high proportion of developing economies. It also defines the framework for business generally including SMEs. These measures however lack specific benefits traced down to the SMEs success, they only provide picture for a proper business environment. The governments have therefore been urged to develop more pro-active interventions to the SMEs so as to develop this important sector. The programs developed here therefore in-

clude infant industry protection. This includes offering special favourable tariffs or tariff holidays for the SMEs like the East Asian economies have done. (UNIDO/ILO/GTZ, 1997 P.72). Other forms of government intervention into the development of SMEs are its recognition of the informal sector and creation of labour markets and education systems to promote entrepreneurship.

Donors have sought to pursue macro-level interventions using some of the methods listed below:

- Setting up national SME agencies whose objective include the development of an overall strategy and framework for SME promotion, co-ordination of programs including donor support initiatives and sometimes acting as a conduit for funds.

- Support high profile/level conferences, working groups and publications to bring SMEs on to a country's political agenda.

- Establishing regulatory committees which monitor and view on an ongoing basis, regulatory germane to SMEs and which can, for example, seek to ensure balance between appropriate regulation (say on working conditions and safety) and eradicate unnecessary 'red tapism'.

- Initiatives to decentralize the conception and implementation of SME development policy and regulations to a localized level.

- Establishing improved procedures to ensure that SMEs enjoy appropriate access to government tenders, export credits, bank credits etc.

- Supporting efforts to develop a cultural environment, which is conducive to the promotion of SMEs. This may occur through encouraging the development of more enterprising approaches to children's education or through national media.

- Building capacity in trade associations, employer's organizations and other representative bodies to enable them better assess the impact of policy and regulation on their members and more effectively articulate their members wishes.

MESO-LEVEL support services/instruments are also called Institutional Capacity Building services. According to this (UNIDO/ILO/GTZ) report, the interventions in this area are concerned with the development of institutional capacity. Most NGOs and the

donor community involved Business Development ought to possess these characteristics. This type of interventions have become popular because of two main reasons:

1) Sustainability: Services provided directly by a donor-funded project terminate with the project. In contrast, a sustainable indigenous SME development organization should be able to deliver benefits to a client group for a period of time after donor support is finished. Although in the short run the donor support (investment) might involve a substantial investment, in the long run the project must be self-sustaining and serve a larger number of SMEs. An example is Kenya Rural Enterprise Program.

2) Effectiveness: an indigenous organization should have better knowledge of the needs and demands of client groups and should be able to develop more cost effective services to meet them. As is the case with K-MAP.

The objectives of Meso-level intervention are aimed at ensuring that the BDS organizations enhance their effectiveness, efficiency and sustainability. The donors work with a range of local and national BDS organizations. Significant differences between these organizations exist. These differences are in terms of ownership, management, funding and services provision. These differences then become important in terms of improved performance and therefore an appeal to potential donors to such organizations.

The capacity building instruments that are used by BDS providers are many. The notable examples include guidance/advice, consultancies, and technical support from 'experts'. These support services can take variety of forms and focus on a range of subjects, whether on a one-to-one basis or within groups.

The type of capacity building that these BDS organizations engage in developing include:

1) **Organizational capacity**: this relates to an organization having a vision, i.e. the ability to articulate and generate commitment for its mission, goals and objectives, clients population, approach and desired level of impact as well as the corporate culture which supports this vision. It also relates to the internal and external legitimacy an organization needs to build and the network of relations it establishes with other organization.

The approach used to build this capacity should be more business like. There should be a proper focus on the target customers or clients. The relation to clients should transactional in that the service has a price and that both parties benefit. The practical

issues in the development of such capacity should however be flexible enough to create an environment for future beneficial contacts.

2) **Managerial capacity**: an organization needs a legal and organized structure, which allows it to realize its vision; appropriate management systems and procedures; and staff with necessary management capabilities must be well instituted. The systems here should include administrative and personnel policies; planning, monitoring and evaluation systems; information system and financial administrative systems. These should allow an organization to plan, control, monitor, report and evaluate its program.

When such a program is developed it should allow for a legal form which encourages business-like behavior. This call for behavior where the organization is allowed to continue in its existence in the future or in other words it becomes a going concern. This can be achieved if there are decentralized structures giving staff at the local level the freedom to develop programs that will take the form suitable to serve their clients well. There should be a high degree of autonomy between the organization and the government.

3) **Technical support**: specialize in core competence in the area of expertise. Provide the services for all possible client needs. Higher degrees of technical expertise, which can meet demand more effectively and simplify management functions.

Develop the technical capacity that adopt or develop new 'products'. Own product development is the best way to ensure development of technical expertise.

In a joint study carried out by GOK/ILO/UNDP in 1989, on the performance of business development/promotional programs the following results were revealed.

- Majority used extension models generally more applicable with large enterprises.
- Trainers without relevant experience offered training.
- The most successful programs were those that integrated their assistance with other complementary programs eg counseling or training program would be integrated with financial assistance program.

- Few start-up programs existed, yet these programs are very important in the development of more enterprises.

In order to enhance the non-financial programs and to curb the problems above, the following suggestions were given: -

Enterprise culture, which is the environment that prepares the population of a given region or country as a whole to take advantages of the business opportunities in the society and provide supportive measures to entrepreneurs must be encouraged.

There is need to develop forums and networks where those who have succeeded in business can meet and inspire potential/ emerging entrepreneurs. The government must also explore the means of rewarding successful entrepreneurs so as to inspire entrepreneurship development in the country. Some of the incentive that could be used includes giving tax holidays to successful entrepreneurs or the large enterprises that have participated very well in entrepreneurship activities.

Optimization of non-financial support services- Though over 600 NGOs studied in the survey were involved in SMEs development, some of them (35%) were duplicating the services offered by others. They did also not achieve their objectives because they were not aiming at being optimal in the provision of their services. Most of them were found to exist because the funds were available to fund their operations.

In order to realize the optimality required these NGOs must look for ways of complimenting each other's operations. They should ensure they assist each other to realize their individual objectives. Since it is hard for one organization to offer all the needs of the SMEs in the region in which it is operating, the assistance of others can be incorporated for optimal results. Professional personnel should be used and proper screening of the SMEs in need of the services in order to warrant proper results and optimal performance. The use of mass media is also required in order to create proper level of awareness and promote the need to be entrepreneurial among the population masses.

MICRO LEVEL instrument/services are Business Development services offered by BDS organizations to SMEs directly. Many instruments/services are used by BDS[2] organizations at micro level. Many of these services can overlap each other. Some are even com-

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[2] BDS will here after refer to Business Development Services

plementary to each other's performance and therefore can not be separated. Training and counseling/business linkages are often go hand in hand. The services discussed below are only separated for the sake of discussion. The separation is only an artificial one.

2.3.1 Education and Training

Education

Most of the 'young' entrepreneurs entering the field of small or micro enterprises are people who have limited education. Most of them are either form four or the college graduates who, although have the knowledge, they seriously lack experience concludes Friedrich Ebert Stiftung, a German organization working in Kenya in very many areas including poverty alleviation, education and development. There is however a positive correlation between success in SMEs and the level of education of the entrepreneurs who own and manage these SMEs.

Michira (1998) asserts that lack of sufficient levels of education, lack of practical training, myopia in the proprietors part and hard economic times cause the failure to build goodwill by most small-scale enterprises. Carter & Cannon (1980) advise that pre-training helps to minimize start up and business development problems. It reduces the probability of failure of new firms within the first three years from 80% t0 40%. Further they found out that courses of between one to two days are more valuable as information or awareness raising sessions. They helps the entrepreneurs note some of the possible risks that may face their businesses and also induce them to discover the need for certain types of training which can in turn help them to solve those problems.

The courses should also be modified to ensure that after the two days or so of training, these entrepreneurs can take and apply some of these concepts. These courses therefore should provide an exposure, which identifies the feedback influences. They recommend Chris Argyris notion of "double cycle learning." Which stresses that learning is both a way of creating awareness and promotion of an inquisitive mind that is perceptive enough to anticipate other future encounters and possible solutions.

Education has a reputation of changing people's attitudes and perception. Entrepreneurs

attitudes and perception about factors like risk taking and business development should be well trimmed through education and training (Ombok, 1990).

Aristotelian logic (which says that I must define my terms precisely and test each statement, before using them as premises in argument and drawing any conclusions". (Summer, 1959, 99 72), can also be used in business to help decision making based on logic, consistency and truth. This is a clear link between education and business. Business makes education concepts practical. Brach's galaxy of personality required for business success namely desire to achieve, handwork, nurturing quality of one product, Acceptance of responsibility, reward oriented optimism, orientation to excellence, proper organiztion and profit orientation can only be well handled through education.

The combination of the above factors will lead to success in business in the various fields. In order to clearly determine how success is achieved, one needs education on how to understand those issues and then how to combine them well in order to succeed in Business (Dossajee, 1992). Understanding of the customer's perception for those in service business, is a very intellectual yet also practical concept. Both practice and understanding of perception theories are required.

A relationship exists between an entrepreneur's level of education and the involvement in Entrepreneurship. Thus a relationship exist between the education level and the possibility of one entering into self-employment.

The controversy in the study however is on whether the relationship in a direct on an inverse one. Cross-sectional studies carried out by DeCarlo and Lyons (1979) in Atlanta USA revealed that better educated women were more in self-employment than the noneducated were. Out of their sample of 122 respondents, most of them were educated.

Miescon and Stevens, 1982 (cited in Dolensky et al, 1993) found that two thirds of the 108 female entrepreneurs from Arizona (USA) had attended college and 15% had postgraduate degrees.

The above scholars came up with a theory called the *liquidity constraint theory* which posits that less educated individuals are less likely to have accumulated assets hence are more likely to face liquidity constraints that make it relatively difficult to peruse Entre-

preneurship. Such sentiments were also expressed by Evans and Jovanovic, 1989 (cited in Dolensky et al, 1993).

Some scholars like Light, 1972 (cited in Dolensky 1993) came up with a contradicting theory, which they called the *disadvantaged workers theory*. According to this theory, people who are disadvantaged in terms of education, income, skills are likely to engage in entrepreneurial activities in order to earn a living because they are not able to gain employment elsewhere.

Light (1972 p 43), comments on the relationship between education and Entrepreneurship by stating that

> ...Self employment has still an undeniable appeal to the
> Unskilled, the unemployed etc, indeed to anyone disadvantaged
> in the general labor market...Hence a less-educated individual
> Posses limited wages, skills etc would be more likely to be
> Self employed than others

Less educated people had more time at their disposal, which they could easily dedicate to self-employment than the more educated. Bush 1992 (cited in Dolensky, 1993) counters the above argument by outlining that less educated women have a higher fertility rate hence they have a greater child rearing responsibility which consumes more of their time than even the well educated. He points out further that the human capital in less educated people is potentially constrained by the lack of availability of sound business advice and support from spouses because most of their spouses are found to be non supportive.

Dolensky et al (1993) therefore set out (through a longitudinal study between 1967 to 1984) to find out the connection between education and the following: -

- Likelihood of entering self employment
- Staying in self employment
- Re-entering into more self employment activities
- Determine the difference between entry, staying and re-entry and how they contribute to the overall difference in the likelihood of being self-employed between more educated Vs less educated people.

In their study, they found a positive correlation between the above factors and education. The relevance of education to starting up or maintaining a business and success in self-employment cannot therefore be disputed.

Training

According to the institute for development research, training is defined as an exercise covering a broad swethe of interventions based around teaching-style inputs, usually not on a one-to-one basis, involving facilitators/trainers and groups of trainees. Training is aimed at enhancing SME learning. It covers both business and management/ entrepreneurship and vocational subjects. It seeks to develop knowledge and skills covering:

- *What SMEs do*: training based on marketing, bookkeeping, production techniques, production development, e.t.c

- *How to deal with problems*: how to find customers, get higher prices, reducing production costs

- *Who with*: introducing or pointing SME owner manager to useful resource people, potential customers, suppliers or contacts for any future benefits to his/her business

In the application of this training it has been established from the studies carried out by donors on Business Development services that generally, supply driven training which adopts a top down teaching style is very ineffective. Further the results are worsened when the training is offered by ill-qualified people, who are unaware of cost-control and lack the necessary skills to encourage employee commitment.(ILO/GTZ/UNIDO,1997). According to this report, most donors have termed training as a 'black hole' consuming resources with no visible benefit to the target groups (SMEs) when the above tactics are used. To ensure that training is benefiting the intended target groups (like SMEs), the training offered should have the following characteristics:

- *Training on a business-like way*: it should not be an extension of the national education system but a service for discerning clients. The BDS providers should ask information on the clients market position, potential target groups and their needs and design training program specifically for those needs. The program capabilities should be measured on the programs unique needs.

- *Splitting from financial services*: most BDS providers who mix training and financial services have been found the method to be effective. It enhances concentration from the clients, however the caution is that both activities should be kept separate.

- *Designing on the basis of clients' needs*: All SME training needs should be grouped based on a comprehensive knowledge of the SMEs' reality. Training should be shaped by the learning requirements of SMEs'. This training should encourage owner manager to 'learn to learn' from his/her environment and this is best done through associations which create a sustainable capacity to further learning. In short, the training should be learner driven and participatory.

- *Design and deliver on the basis of SMEs' practical learning styles*: traditional methods like classroom lectures have proved very ineffective (ILO/UNIDO/GTZ, 1997). The best methods of training are therefore based on the owner managers' experience. The training methods which are most effective are those which are customised to suit the trainees experiences and unique needs. Learning by doing has proved to be the most effective method.

- *Delivery*: the right kind of people should be delivered to. Training therefore should be delivered by institutions who have core competencies in training and knowledge of SMEs. Ideally, trainers should be close in terms of their values, languages. The culture of trainers' superiority or detachment will only lead to failure.

- *Reaching the market, monitoring and evaluation*: market training through trade associations, packaging the training offer in an attractive way (price, location, potential benefits etc.) and ensure the right clients are reached.
  As the program goes on, evaluate clients' opinion about the methodology for delivery and ask for further suggestions on the best methods of knowledge dissemination in order to improve future programs. Generally ensure clients commitment and friendly relationship for mutual benefit.

2.3.2 Counseling and Advice Support Services

Business counseling refers to one-to-one advice and discussion between a counselor and SME client aimed at enhancing the owner-manager's management and technical capacity. It is geared towards specific issues facing the client (SME). The owner-manager who is experiencing a business problem usually brings the agenda.

Counseling is differentiated from consultacy by its emphasis on *working through* the client. The outcome of counseling is determined by the client's capacity to learn from advice and implement actions successfully thereafter. Consultancy on the other hand can be described as *working for* a client and generally has much more tangible outcomes (such as reports and recommendations). (UNIDO/ILO/GTZ, 1997). In counseling the process is crucial; in Consultancy, end product is the priority.

The problems discovered recently about counseling is that fact that the process is expensive because of the one-to-one basis of meeting clients. It is also difficult to assess the benefits of counseling to clients and make the necessary payments for the service.

The BDS providers have accepted these difficulties and have decided to develop indigenous forms of advice to the clients (SMEs). The focus of this form of counseling services is the fact that they are business oriented, seeking productive relationship with the client and offered as a package together with other BDS services like training and technical development.

2.3.3 Technology Development and Transfer

This refers to the design and development of technologies and their dissemination to or development by SMEs. The purpose is to raise the standards of technology being manufactured, sold and used by SMEs in order to improve the quality of the products they sell to their consumers. It is also concerned with increasing technology awareness and capacity in SMEs but not necessarily designing and developing capacity.

The interventions aimed at improving technology are many and include such activities as technical training, physical infrastructure development and improved information services.

Industrial revolution brought about the birth of large organizations. Large production volumes were necessary to cut down costs per unit of output. This tied the minds of industrialists to view technology and managerial efficiency as only possible in large organizations. Dewhust (1993) urges that it is possible to use sophisticated, sometimes highly sophisticated quantitative techniques in the control of small-scale businesses without impairing their special characteristics. He argues that the SMEs thus benefit from

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flexibility (ability to adopt to new situations) more easily than large organizations. This is mainly experienced in the filed of technological advancement specifically geared towards improvement of efficiency and effectiveness. Bolton committee (1969) points out that this technological advancement can be easily obtained through provision of business support services.

An investigations by Kim & Nugent (1994) into the benefit of support service in SMEs technological improvement revealed that in Korea (where the study was carried out) most SMEs started serious technological improvement using support services available to them as early as the 1980s. All the technological improvement were done for the SMEs in Korea through one coordinating body called Industrial Advancement Administration (IAA) which is under the Ministry of trade, Energy and industry. This showed the governments serious commitment to the promotion of SMEs. Itoh and Urat (1994) point out that in Japan the government got committed to improving technology in SMEs in order to gain competitive advantage especially in fields where the SMEs exports were performing well. This ensured that the SMEs in specific areas were not allowed to lag behind due to their importance in the economy. Kim and Nugent (1994) studies of technical support to SMEs in Korea led them to the following conclusions.

- SMEs in a technologically dynamic sector use collective technological support system more frequently than those in less dynamic sectors. The technical support systems are likely to play an increasingly important role as countries technology moves up scale and becomes more difficult to imitate. The increasing enforcement of intellectual property right will also contribute to the rising importance of indigenous technical support.

- While state and public agencies are frequently used, SMEs general report that their services are only moderately useful, the main reason for this is because of lack of manufacturing technical known how which can be well obtained through technological improvement support services for SMEs.

- Industry specific and non-industry specific technical extension centers need to be strengthened.

In the field of training, Webster (1991) in her study found out the government agencies offering this support service were only successful when the course: -

- Is relevant in terms of its content to the skills needed by the entrepreneurs. Presence of relevant content in the curriculum.

- Is comprehensive in terms of its training programs and covers extensively the areas required.

- Well sequenced in that there is a proper knowledge development which allows the trainee to build up from the simple to the complex skills in a systematic manner.

She found out that training is only useful to the entrepreneur when it emphasizes transfer of general business skills, operations of physical facilities for new and existing technical knowledge sub-sectors. The common approaches from her study's findings are: -

- National or regional public extension services to provide entrepreneurs with business advisory services or referrals to specialized agencies for technical training and assistance.

- Government sponsored common service centers and industrial estates that train clusters of entrepreneurs.

- Specific courses on clearly defined topics for selected groups of entrepreneurs of similar occupation.

The training aspect of technology is only very useful to the SMEs when it is tailor-made to suit the needs of the specific categories of entrepreneurs needs and when it is offered by very well trained and experienced personnel. Training therefore has a very important role to play in SMEs development.

Technical Assistance in small and medium enterprises (SMEs) is mainly designed to strengthen these enterprises. It is geared to ensure that credit provided to these enterprises (apart from other operational functions) is used effectively. According to a study by Itoh and Urat (1994) on the support services offered to Japanese SMEs, collective technical support acted as both direct and indirect catalysts to innovation in the critical periods when SMEs were just taking root. Webster (from her study of the World Bank sponsored

government agencies, which offer technical assistance to SMEs in different countries throughout the world) reveals that for technical assistance to be more effective, the technical staff must have the right skills, be well motivated and have systems that are clear on the delegation of responsibilities and program management. Webster (1991). This is to ensure people managing the programs are accountable.

Technical assistance also known as technical support can take various forms. According to Kim and Nugent (1994) in their study of technical support offered to SMEs in Korea, they singled out the following support service: -

- The various aspects Training programs on new technology or other technical aspects of the SMEs operations.
- Information provision about of marketing and production
- Joint research opportunities.

Most agencies they studied were found to provide a combination of the above. It was concluded that the significance of technical assistance to the development of SMEs was more important, especially in the areas of technological choice and use. The assistance also became more successful when it aimed at handling the unique problems of the individual entrepreneurs or groups of entrepreneurs with common problems.

The technology improvement could be either professional technical expertise in technology development, its application in a demand driven process and the need for strong marketing skills and systems to ensure the widest possible use, or indigenous technology development emphasizing the importance of SMEs themselves developing this technologies on the basis of their own capacity. The focus should however be on the strengthening of the SMEs themselves and ensuring their stability as a business concern.

The potential for corporate and indigenous approach to technological development and transfer		
	Corporate	Indigenous
outreach	Potential to reach large number of end users through relatively small number of SME producers and distributors	Work directly with small number of SMEs; encourage spread through 'natural' process of enterprise learning
Efficiency	High initial development costs of technology and marketing and distribution systems. Potential for economies of scale of lower per unit and per customer cost	Low initial costs and low number of direct initial beneficiaries. Improved overall efficiency is dependent on 'ripple out' learning to other SMEs
Effectiveness	If initial market assessment is (and remains) correct and skills/resources are available, opportunity for widespread (narrow) benefits for customers.	Aimed at enhancing SME capacity (to produce a range of different products). Less discernible benefits, more likely to be intangible. Facilitating rather than direct delivery role for BDS
Sustainability	Set up costs for both technology and marketing/ distribution not intended to recover costs. System operation should be sustainable. Private sector development only hope of complete sustainability	Seeking to strengthen 'natural' process of technological development and learning rather than create new entities and systems.

The process of technological development and transfer must also adopt the approach of being market driven. The provision of such a service should be based on the needs of the clients and provided by those trainers who are well endowed by the necessary skills for disseminating such skills.

In the cases where indigenous approach is used, the 'star' SMEs should be identified and then growth oriented strategies developed in them. The factors to be encouraged most include issues related to innovation. Here the external support should not undermine the process of these SMEs development but build on this support to facilitate proper growth.

The current practice is developing effective collaborative projects with larger private sector enterprises that have technical capacity to develop products and ensure proper coordination of efforts for mutual development.

2.3.4 Information Service Provision

Information service for SMEs is concerned with providing access to a variety of informations, either in written or spoken form. The service overlaps much with training and counseling since both are aimed at information provision.

The information poor environment around these SMEs' however hampers the intervention. Market signal on business opportunities, customer trends, methods of organization are some of the information required by these SMEs. This information is however not given to the target groups because of either lack of awareness on the part of those who need the information or the prohibitive factors like illiteracy/costs involved.

Donor supported activities related to this intervention (information) exist. They include supporting SME owner-manager to attend international trade fairs and business exhibitions, creation of business one stop shops which providing other types of information like legal and tax aspects, joint venture services available at the local or international level etc.

The lessons learnt by the donors concerned with information provision to SMEs according to the ILO/UNIDO/GTZ 1997 report reveals that for information provision to be effective, the service must have the following characteristics:

- *Need based and focused*: the information of value to the SMEs should be focused and precise, concentrated on what they need to know (rather than may like to know). Subsector analysis can be a useful tool to develop the detailed knowledge required in developing information products, which SMEs may want. Information that is need based and has potential to SMEs should be transparent.

- *Not just what but how presented*: most SME owner manager to not like written forms of communication, therefore the suppliers of these type of information should look for the best media to ensure that the intended user groups are reached. The informa-

tion could be in the form of audio material, plays or concerts, exchange visits and trade fairs etc.

- *Supplier credibility*: the person delivering this information should be a credible person of sound knowledge in the subject area, credible experience, able to learn from the environment, and particularly from peers, competitors, suppliers and customers. Owner managers are more likely to value information coming from those close to them and those who can impart this information with credibility.

Most of the owner managers value the information they have paid for. The costs must however not be prohibitive.

2.3.5 Business Linkage Support Service

These are intervention services aimed improving commercial linkages between SMEs. The linkages could be one of the following:

- *Subcontracting*: it refers to an arrangement where a large customer contracts out a portion of their work to smaller suppliers. In reality, however, subcontracting also include complex variety of linkages where small firms subcontract to other smaller firms and in the end create a chain of linkages. Interventions therefore create and promote such relationships.

- *Franchising*: the arrangement involves one enterprise selling to another the rights to produce and/or sell a commodity/product for which the franchiser holds the trademark. The franchisee must follow the required standards and procedures stipulated by the franchiser.

- *Clusters and collaborative production networks*: refers to a broad system of production involving many different firms of different size and possibly other actors such as business associations, research and development networks and specialists service providers in a complex production arrangement. It allows SMEs acting in concert to overcome the limitations of small scale with each taking a small part in the overall production chain but without abandoning flexibility which is the main advantage of smallness. Business linkage also refers to brokerage functions.

The advantage of subcontracting is its ability to allow the players to develop core competencies and develop mutual benefits for all. Japanese firms have managed to develop

this practice and most of their small firms have experienced rapid growth over shorter periods of times compared to other countries, which do not have this practice. In Africa this practice is yet to develop although it is available on a small scale. (ILO/UNIDO/GTZ, 1997). Franchising is available but mainly among the big firms. Business clusters is still a subject of research even though some of its benefits have been experienced in the United States, Asia and some Latin American countries

The best way to achieve the best results out of business linkages is to ensure such services have the following characteristics.

Don't set too many rules governing the deal: the role of business linkage is to ensure continued growth and mutual benefit for all through friendly relationships. Provision of means of getting together is of prime importance. No attempt should be made to force linkages but they should be allowed to develop as a result of necessity and friendship.

Building on commercial logic: the linkage works well when it is based on a 'win-win' situation. The precepts of commercial benefits should be the driving force behind the linkage. Where such precepts do not exist, the relationship does not last long.

Investing to overcome market distortion: the relationship should not grow beyond the expected levels. Significant constraints of efficient market operations should dictate the extent of the operations and linkage limits. The relationships should be focused at overcoming identifiable market imperfections both in the short and long run.

According to the UNIDOs' experience, sub-sector focus is best.

Bringing people together and more: potential benefits should be identified and the then packaged together to allow for the general development of the related target groups whether locally or at the international level. Problems of linkages (e.g. subcontracting) include management capacities and inexperience with legally enforceable contractual relationships. The intervention should seek to address these constrains with a view of correcting them. Meaningful working relationships should be developed.

2.3.6 Marketing Support Service

Itoh and Urat (1994) studied SMEs in Japan focusing on the support services to these enterprises. They studied three main industries since they were the ones that had a lot of SMEs involvement. These industries were the silverware, the synthetic textile and the

automobile industries. Their findings revealed that most SMEs did not have enough resources to enable them to carry out the required marketing and explore more markets. These SMEs therefore depended heavily on their trading partners to marketing services either domestically or internationally.

Public sector marketing assistance was given to the SMEs through the industry associations, chamber of commerce and industry and the ministry of trade and industry. They organized trade fairs, sponsored exploratory tours, provided marketing information and organized trade shows and exhibitions both locally and internationally. Through the governments foreign missions some of these SMEs were helped to open foreign marketing offices to market their produce. At the local level however, networks and subcontracting relationships were the main the sources of marketing.

The government of Japan recognized the importance of SMEs especially in the improvement of the majority of the population's living standards and boosting of economic development of the country in general. They therefore started marketing the products of these SMEs internationally. They formed the Japan External Trade Organization (JETRO). Trading houses and overseas marketing offices for the SMEs were established through this organization.

Quality inspection was also discovered to be another means of marketing. The government of Japan encouraged the SMEs to market themselves by ensuring they produce quality products. Quality inspection especially for export products was made mandatory under the *Yushutsuhin Torishimari-Ho* (Export Product Control Law) of 1948. Itoh and Urat concluded that the SMEs in Japan succeeded because of proper use of the marketing services available to them especially through trade fairs and other services offered. Support from industry associations and the chamber of commerce and industry was found to be more valuable.

Webster (1994) also studied marketing support offered by the world bank through the various government agencies and came to the conclusion that they succeeded in offering these service because they used the following strategies

- Sub-sector were studied to identify the potential of the SMEs in these sector especially in the areas of craft, leather or wood products

- Product designs were upgraded to ensure that proper quality products that could compete on the global market were produced. Public export bureaus and board were used to recommend and check on the quality standards.

- Foreign technical advisors were also used especially in the export promotion area.

2.3.7 Business Development Extension Services.

The approach used by the World Bank to help entrepreneurs in this area is to employ the services of government sponsored agencies. This way, they ensured that most of the entrepreneurs who required this service were actually helped (Itoh and Urat, 1994). Webster (1991) in her study of the successful agencies in Portugal and Mexico found out that there was a positive correlation between acquisition of business management skills and success in small & medium enterprises. The following variable were to contribute a lot to the success of these agencies

Both agencies (Program Apoyo intergral (PAI) of Mexico and Institute for the support of small and medium Industrial Enterprise (IAPMEL) of Portugal) avoided bureaucratic dealings. They encouraged flexibility, financial and managerial autonomy. This autonomy enables them to offer tailored-made services to their clients.

They all served as a link between the entrepreneurs and the credit providing agencies. They inform their clients about the existence of the SME credit lines and how to obtain credit from them. In effect, the extension services marketed credit service providers.

These two projects had workers who were well motivated and had the zeal to work. The staff's incentives were very good to an extent that they attracted and retained the workers including those with the higher qualifications.

3.0 RESEARCH DESIGN

3.1 Population

The population of interest was all the SMEs operating in Nairobi. There are an estimated two hundred thousand SMEs in Nairobi city at household level however, only about 80,000 of them are registered. (Parker and Torries, 1993). Nairobi was chosen because of the following reasons: -

* Most of the entrepreneurs operating the SMEs in this area solely rely on them for their livelihood (in terms of income or otherwise). The concern and commitment or the success of these businesses is more than of the ones in rural areas. (Parker and Torries, 1993).

* Most of the organizations concerned with the development of SMEs in Kenya are either operating or headquartered in Nairobi.

* One half of the SMEs operating in Nairobi are owner-managed which makes them more suited for these study because of the commitment and in depth understanding the needs and weaknesses of the enterprise

3.2 Sampling

The SMEs in Nairobi are not clustered in one region. There are certain areas that have many of these types of enterprises crowded together. Some of these areas include Kibera, Kariobangi, Kawangware, Kamukunji, Kangemi and Gikomba.

This study therefore adopted clustered random sampling where several respondents from each of these areas were interviewed. According to McCormick (1986) each and every SMEs in a given area differ significantly from each other in many aspects including performance. If respondents from several areas within Nairobi are interviewed then more representative generalization can be drawn.

A total of 80 respondents were interviewed. These respondents were chosen from the above clusters as follows: -

Area	Number of Respondents
Kamukunji and Gikomba	30
Kawangware	15
Kariobangi,.	10
Kangemi.	10
Kibera	15
TOTAL	80

This number of respondents was chosen because of the time and cost constraints. A simple random sampling was used to selecting the enterprises to be interviewed. The interviewer went to each of the regions above and approached the welfare associations that the small business owners had registered with as members and asked for the list of all their members. The interviewer then selected the names of the enterprises to be interviewed randomly from the list provided. The study choose to interview only the permanent SMEs because most projects aimed at SMEs development prefer to target such SMEs. They are also easy to help since they are more accessible, reliable and easy to monitor there progress.

3.3 Data collection procedures

The study used primary data gathered from the enterprises. Only the owner, their spouses or a manager who has worked in the enterprise for a long time were interviewed. A structured questionnaire (see appendix 1) was used. This questionnaire was administered through personal interviews conducted by the researcher and his assistants. The researcher and his assistant where necessary, read and translated the questions to the respondents and filled the blanks on behalf of those respondents who could not read and write.

3.4 Data Analysis

Descriptive statistics were used to determine the extent to which the SMEs in the city of Nairobi receive non-financial business development services. A four-point Likert scale was used to determine the non-financial business development services perceived to be important and unimportant by the SMEs owner-managers. The Chi-square test of independence was used to test the significance of the relevance of non-financial business development services offered to the SMEs in the city of Nairobi.

4.0 RESEARCH FINDINGS

4.1 Profile of Respondents

A total of eighty respondents were interviewed in this study. Small business owners were interviewed however, where the owners were not available, their spouses or managers who had worked for the SME for at least one year were interviewed. These respondents interviewed operate their businesses in Kariobangi, Kibera, Kangemi, Kawangware, Gikomba and Kamukunji areas of the city of Nairobi.

The sample characteristics here are presented in terms of bio-data of the respondents interviewed e.g. sex, marital status, age etc. The presentation of these characteristics is summarized in the tables below: -

Table 1: Respondents Characteristics

Respondents Position		Number	Percentage	Cumulative %
Owners	Male	51	63.8	63.8
	Female	9	11.3	75.9
Non-owners	Male	12	15.0	90.1
	Female	8	9.9	100.0
TOTAL		80	100.0	

Source: Research Data

Out of the total of 80 respondents, 75% of them were the owner managers. This therefore means that the study was obtained information from the people concerned most with the success of the SMEs. They are also the target group for the providers of these non-financial support services. The information obtained was therefore deemed relevant Most (64%) of the respondents interviewed men. The female sex comprises about 11% of all the owners interviewed.

Most of the respondents are married people (see appendix 2, table1). 90% of the owners interviewed are married. 4% of the small enterprise owners interviewed are widows or widowers. None of the respondents interviewed is either divorced or separated. These respondents are mostly people in their early adulthood. About 48% of the respondents are

in the age bracket of between 31 to 40 years while 30% of them are in the age bracket of between 41 to 50 years old. Only one person interviewed was above 50 years old. (see appendix 2, table2). The study therefore interviewed very economically active persons. These people are still young and can participate in any available business development program more enthusiastically and in a very committed way.

Table 2: Respondents Level of Education

Respondents level of Education	Number	Percentage	Cumulative %
No formal education	0	0.0	0.0
Primary	16	20.0	20.0
Secondary	33	41.3	61.3
College	15	18.8	80.1
University	5	6.3	86.4
No response	11	13.6	100.0
TOTAL	80	100.0	

Source: Research Data

The respondents in this study have attained at least primary level education. Most of them however did not obtain higher levels of education. About 61% of all the respondents had both primary and secondary education. Only 6% of these respondents had attained university education. About 14% of the respondents refused to disclose their level of formal education.(see table 2 above). The respondents therefore can read and write. The respondents can therefore effectively engage in non-financial development services which require minimum intellectual capacity.

Besides formal education, the respondents had undergone other forms of the on the job training in the areas related to the technical aspects of what they were doing or the general aspects of business. Even though 31% of respondents did not receive any form of on the job training, 44% of them received on the job training in areas related to the technical aspects of the business they are engaged in. The rest only received general on the job training. The support services dealing with technical aspects of the SMEs operations like designs can be given to about 56% of the respondents who have general training.

4.2 Small Enterprises Characteristics

55% Of the enterprises interviewed are manufacturing concerns which besides production also engage in selling what they have produced. Merchandizing enterprises, which do not engage in any production composed about 8% of the SMEs interviewed as table3 below shows. All the SMEs interviewed therefore engage in selling whether of goods or services. In case of any support services aimed at benefiting production and selling, over half of all the SMEs interviewed are bound to benefit

Most of these enterprises are less than 10 years. About 31% of the enterprises interviewed are less than six years old. 9% of the interviewed enterprises have been operating for the last 15% years (see appendix three, table 1). The business development services targeted at start-ups and maintenance stages of business developments are well placed to benefit these enterprises.

Table 3: Sectoral Distribution

Type of the enterprise	Number	Percentage	Cumulative %
Manufacturing and Selling	44	55.0	55.0
Service	30	37.5	92.5
Merchandizing only	6	7.5	100.0
TOTAL	80	100.0	

Source: Research Data

Most of the small enterprises in Nairobi operate in temporary structures which are poorly maintained. Table 4 below show that 49% of the small enterprises interviewed in various parts of Nairobi carry out their businesses in temporary structures. 31% of these enterprises operate in well-maintained permanent structures. 51% of the enterprises interviewed operate in permanent structures

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Table 4: Type of Business Premises

Type of Premises	Number	Percentage	Cumulative %
Well Maintained Permanent Structure	25	31.25	31.25
Moderately Permanent Structure	16	20.00	51.25
Temporary structure	39	48.75	100.00
TOTAL	80	100.00	

Source: Research Data

Most of the respondents interviewed complained of general poor economic performance of the country. 76% of the respondents said their businesses were experiencing moderate business performance while 13% of them complained of poor performance. This means that most of the SMEs interviewed have one or more business problems and they require both financial and non-financial business development services. Table 5 below shows a summary of the findings concerning business performance.

Table 5: Business Performance as Reported by Owners/Managers

Business Performance	Number	Percentage	Cumulative %
Poor	10	12.50	12.50
Moderate	61	76.25	88.75
Good	9	11.25	100.00
TOTAL	80	100.00	

Source: Research Data

The study found out that 78% of the owners of SMEs in Nairobi are full-time entrepreneurs (see appendix three, table 2) who depend on their SMEs for their livelihood. Most of these full-time entrepreneurs said their businesses are experiencing poor performance.

The occupation of the owner was cross-tabulated with the various business problems experienced by the various SMEs in order to determine if some business problems were

only common among SMEs whose owners were in a certain occupation. The study found out that all owner-managers who are teachers and doctors said their businesses had good performance. Full time entrepreneurs mostly said their businesses were performing poorly. 53% said they had had poor business performance and 25% said their performance was good. The full time entrepreneurs therefore needed business support most.

When specific business problems were cross-tabulated with the entrepreneurs occupations, low demand for finished products, lack of tool and equipment, lack of information on business contracts, and unskilled personnel were common to the SMEs owned by civil servants, doctors, and full time entrepreneurs.(see diagram one above).

Diagram 1: Ownership versesBusiness Problems

Owners Occupation Verses Business Problems
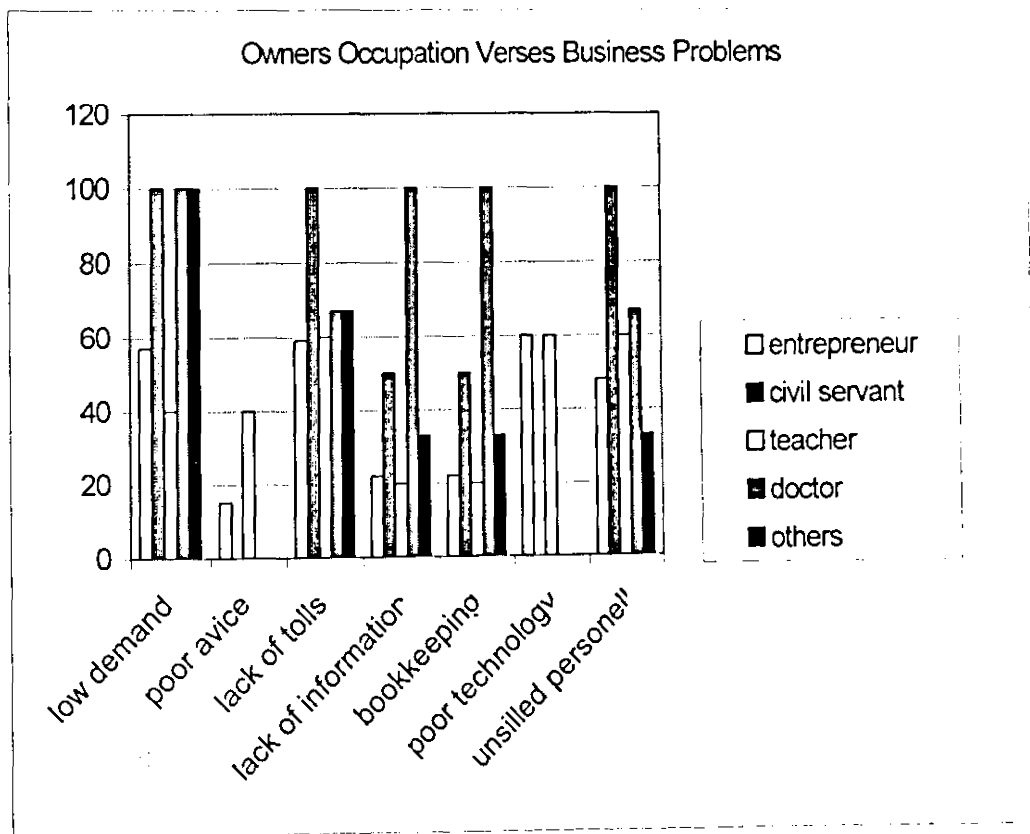
Most of the respondents interviewed accept that their businesses were experiencing some form of problems. 61% of the businesses said that their businesses were experiencing low demand their products and/or services, lack of tools and equipment. 55% of the enter-

prises experienced the problem of outdated technology and marketing. 46% of the interviewed respondent said their business had the problem of poor bookkeeping. (refer to appendix three, Table 4).

Some of the entrepreneurs interviewed specified that some problems like lack of support from those who benefit from their services in terms of prompt payment, provision of down payment for the contracts awarded was also a major hindrance to their business success.

Diagram 2 below shows the proportion small enterprises interviewed experiencing various types of business problems. Low demand for the products and/or services, outdated technology, lack of proper tools and equipment, poor bookkeeping and poor marketing are the problems encountered by most of the SMEs in Nairobi city.

Diagram 2
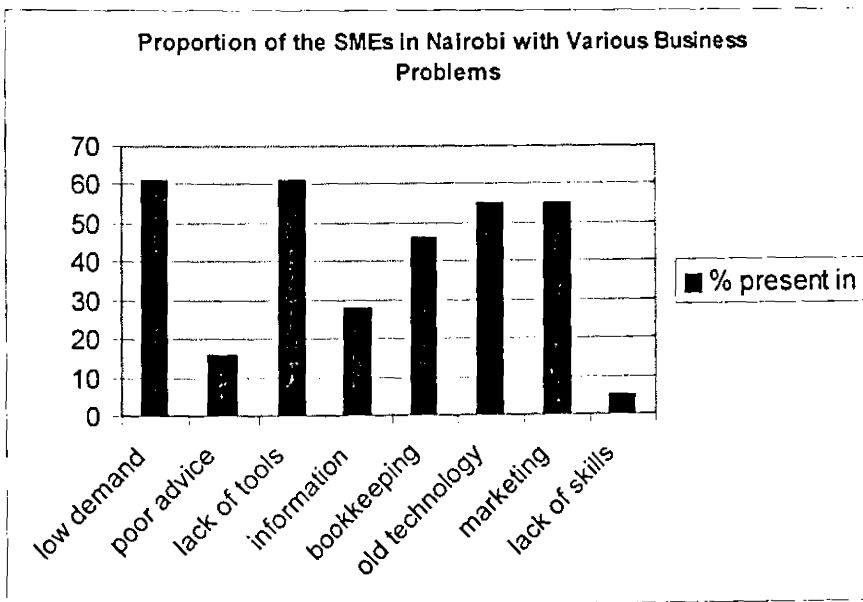
Source: Research Data

The respondents were asked to rank the problems experienced by their small enterprises into three categories of either very serious, serious or not serious. 41% of the respondents ranked low product or service demand as a very serious problem. The study found out that most respondents ranked their individual business problems as serious (refer to appendix, three table5) For example 85% of the SMEs which experienced poor advice from

friends ranked this problem as serious. Low product and/or service demand, lack of skills and poor information availability and provision were ranked as serious by most of the SMEs who had these problems. Poor advice from friends, lack of tools and equipment, outdated technology and poor marketing were ranked as serious. Business development problems concerned with solving business problems of low product demand, wrong advice, lack of tools and equipment and poor marketing will develop should be given first priority.

Diagram 3

Ranking of the Business Problems Experienced by the SMEs in Nairobi
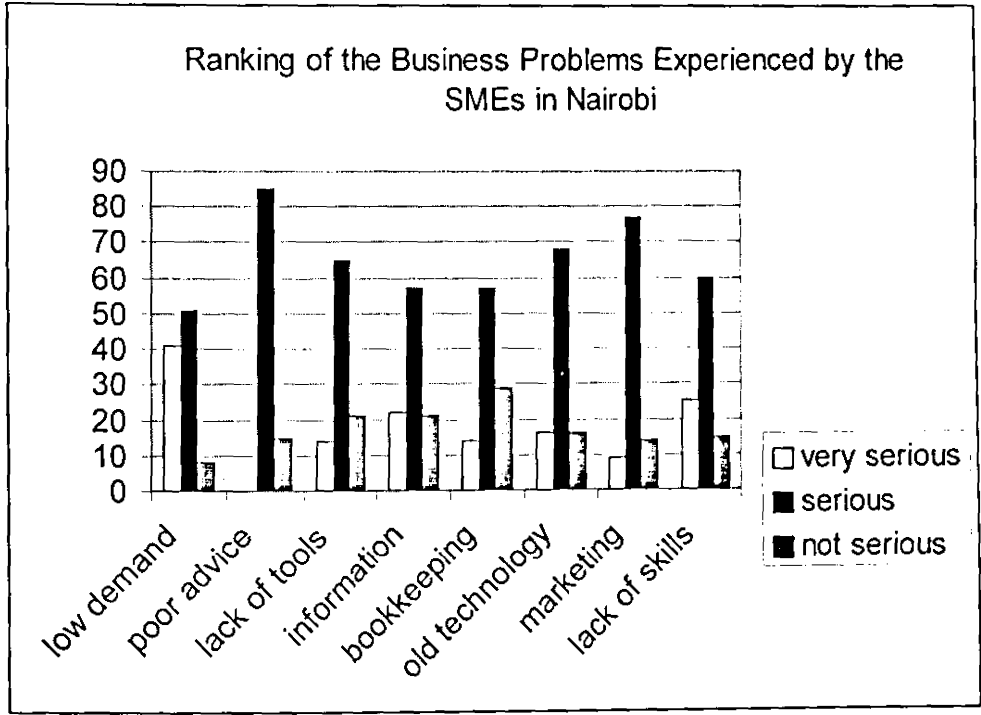
Source: Research Data

Low product and/or service demand, lack of skilled manpower, poor and/or insufficient information and lack of tools and equipment were the business problems ranked very serious by most SMEs who were interviewed and were found to be experiencing these problems. As diagram three above shows, most of the SMEs ranked their problems as serious. These are the areas which should be concentrated on most when providing business development services since they handle the more serious and very presing problems of most of the entrepreneurs interviewed in the study.

4.3 Non-Financial Business Development Services

Most of the SMEs in Nairobi do not receive business development services. Less than half of the small enterprises interviewed received the various forms of non-financial business development services offered by the various business development services organizations operating in Nairobi and offering these services to the SMEs in Nairobi. The study reveals that only 39% of the SMEs in Nairobi (see table 6 below) received business development service.

Table 6: Number of Businesses the Received Non-financial Business Support

The companies that: -	Numbers	Percentage	Cumulative Percentages
Receive support services	31	38.75	38.75
Do not receive support services currently	49	61.25	100.00
TOTAL	80	100.00	

Source: Research Data

When the study investigated into the specific type of business development services offered, apart from training on bookkeeping and business consultancy, the rest of the non-financial business development services were offered to less than 30% of all the enterprises interviewed. None of the SMEs interviewed received any research support service into business opportunities available within and outside the country or on the fashions or styles that could fetch a lot of business for the enterprises.

The least offered business support service was business counseling which was offered to only 3% of the enterprises interviewed. Table 7 below shows the findings of study about the number of the enterprises that received the various specific support services.

Table 7: Type of Non-financial Support Services Received

Type of Non-financial Support Services Received	Number (out of 31)	Percentage
Marketing	8	26
Training and booking-keeping	15	48
Research	0	0
Counseling	3	10
Business consultancy	14	45
Information provision	5	16
Technology development & transfer	9	29
Business Linkages	5	16

Source: Research Data

The study found out that most of the SMEs interviewed were most in need of marketing, technological development and transfer and business linkage services. Over 60% of the interviewed enterprises needed marketing and technological development and transfer support services while 57% of them needed business linkage services (refer to appendix three table 6). The least required support service was the research support service. Only 15% of the enterprises interviewed said they needed this service. Those really research support service pointed out that they had joined other businesses because they saw other people running such type of businesses and not as a result of serious research into areas of business potential. They however got disappointed in the long run because of lack of potential in these businesses. Poor performance resulting from lack of knowledge on how to run that type of enterprise was sited as another cause of failure. Research on the best and unexplored business opportunities and other designs that would fetch good business and create a lot of demand and good profit margins would be a welcome story for them for these people.

Diagram 4

Support Services Needed and Received by the SMEs in Nairobi

Bar chart showing Received and Needed values for: marketing, training on, research, counseling, business, information, technology, business.
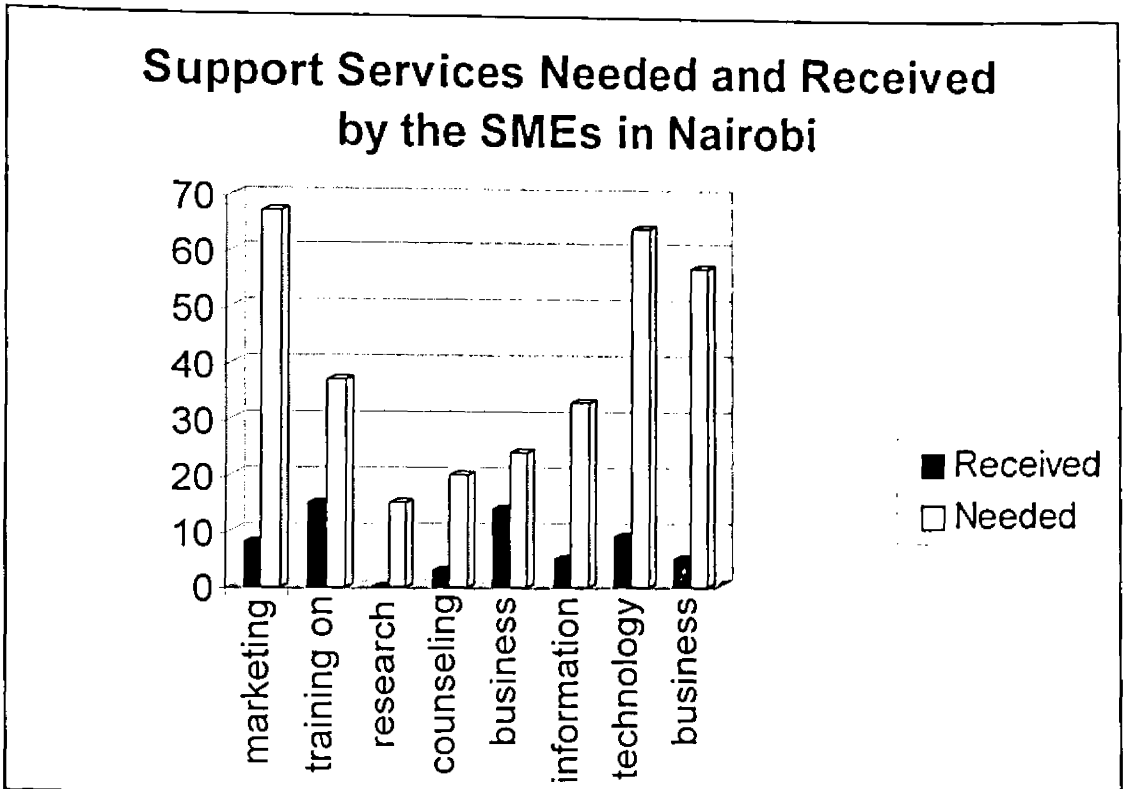
The research findings reveal that a big gap is exists between the business development services needs and the provision of these services. There is a great demand for these non-financial business development services among the SMEs interviewed. As diagram 4 above shows, none of the business development services requirement was fulfilled. Except for business consultancy, less than half of the non-financial development service requirements were fulfilled. Worse hit was research support service which none of the SMEs interviewed received even though the service was required by some of these SMEs. Services like marketing, technical assistance in terms of training expertise or provision of the necessary tools and equipment were required by more than 80% of all the SMEs interviewed yet only about 10% of these SMEs received these support.

In the study, the respondents were requested to rank their non-financial business support service requirements into four categories. Very important, important, neither important nor unimportant and unimportant. Over half of the small business entrepreneurs interviewed ranked marketing support service as very important towards the development of their businesses while 34% of them ranked business linkage services the same.

73% of these entrepreneurs ranked training on bookkeeping as important. Over half of all the interviewed respondents ranked business counseling, technology development and transfer and business linkages as important for the survival and development of their enterprises. Less than 20% of all the respondents ranked all the non-financial business development services they needed as unimportant to the development of their enterprises. (See appendix three table 7)

Diagram 5

The level of importance of the SMEs Business Support Needs

Legend: very important, important, indifferent, unimportant
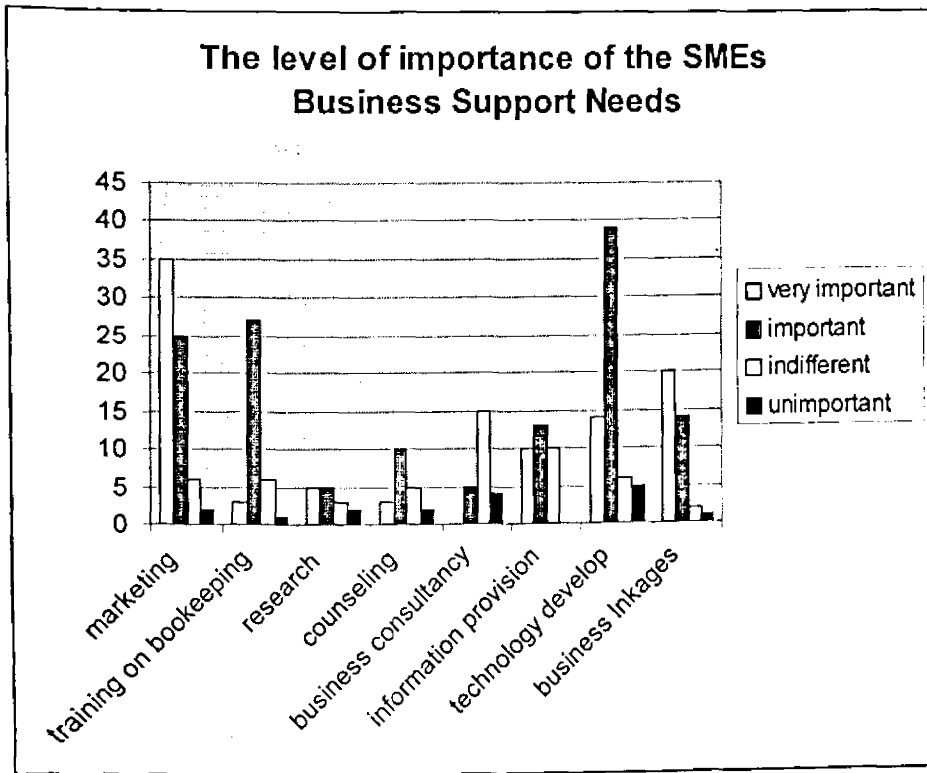
Source: Research Data

The research findings (as can be seen in diagram 5 above) indicate that among those who received business development services, marketing and business linkage services were ranked by the SME owner managers as very important towards their small businesses'

development. Marketing, training on bookkeeping, technological development and transfer and business linkage were also classified by those receiving them as important. Very few of these enterprises ranked the support services they received as unimportant towards their enterprises' growth and future development or better performance.

Table 8: Extension Services Offered

Extension Services	Number	Percentage
Received	18	22.5
Do not receive	62	77.5
Total	80	100.0

Source: Research Data

18% of the respondents said that their enterprises received extension services while the rest said they do not as table 8 above reveals. 72% of all those who receive extension services said they were satisfied with the extension visits that were being made by the extension officers who were ensuring that their businesses receive proper support services and develop in the required manner. Most of the extension visits were those concerned with business consultancy, specifically on the issues related to accountancy and program implementation of the various programs concerning community development like micro credit development and repayment.

4.4 The Test of Independence Results

A chi-square test of independence was carried out on data by cross tabulating the business development services required by the various SMES and those offered to them by the existing business development organizations. This chi-square test of independence was used to establish if there is any relationship between the requirements of the SMEs in the city Nairobi concerning non-financial business development services and what is offered to them by the BDS organizations. In this analysis, the following hypothesis was then tested.

Ho: The support service needed is independent of the support service received.

H1: The support service needed is not independent of the support service received.

A Pearson chi-square value (χ^2) is then calculated using the SPSS computer package. This χ^2 is compared to the Alpha critical value (3.84) at 95% significance level obtained from the table.

If the χ^2 value calculated is higher than the Alpha value (3.84) obtained from the table, the null hypothesis is rejected.

Further tests were carried out on the data obtained from this study. These tests are the contingency coefficient and Lambda tests.

The contingency coefficient was calculated in order to measure the strength of association between the non-financial development services required and those received by these SMEs. The contingency coefficient C value obtained form the SPSS computer package is then compared with the upper limit value obtained using the formula

$$\sqrt{(r-1)/r} \qquad \text{where } r = c$$

<div align="right">r is the number of rows</div>

<div align="right">c is the number of columns</div>

When the value of C is zero, then is no association exists between the non-financial support services required and those received by these SMEs. When the value is half the upper limit then the non-financial business support required and received by these SMEs have a moderate association.

Lambda test also known as the Guttman coefficient of predictability was carried out in order to determine the relationship between the above (Requirement of the services and the provision of those requirements to the various SMEs in the city of Nairobi). The strength of the association between the two reflects the improvement in prediction. Lambda value of one reflects a situation where by using an independent variable (eg support services required/needed) one can predict the dependent variable (eg the support services received) without any error at all. A value of zero however reflects a situation where nothing can be gained by shifting one prediction to another.

Table 9: Marketing Support Service

Type of support service	Statistical test			
	Pearson chi-square	Contingency coefficient	Lambda	Valid cases
Marketing	13.971	0.386	0.095	80
Training	6.940	0.283	0.020	80
Research	Nil	Nil	0.00	80
Counseling	1.58	0.044	0.00	80
Business consultancy	0.016	0.014	0.00	80
Information provision	3.82	0.080	0.083	80
Technology support	1.127	0.118	0.00	80
Business linkage	2.54	0.176	0.036	80

Table 9 shows the values obtained after analyzing the Marketing support service data. The chi-square value (χ^2) obtained was 13.971. This value is higher than the table value of 3.84. The null hypothesis therefore is rejected. The results reveal that marketing support services offered to the small enterprises in Nairobi by the BDS organizations are not independent of the actual marketing support needs of these SMEs. The SMEs receiving this support service are those ones that needs this support. One can therefore conclude that there is a relationship between the SMEs need for marketing support services and the provision of this service to those SMEs who are in need of this support service.

The contingency coefficient value obtained from the computer output was 0.386 (see table 9 above). This value is almost half the upper limit value. This implies that there is a moderate relationship between the SMEs need for marketing support and the provision of this service by the various BDS organizatios in Nairobi city.

The lambda value of 0.095 reveals that even though one can predict the marketing support services received by the SMEs in Nairobi just by knowing their marketing support needs, the predictability is however very weak. The needs for marketing support among the SMEs in the city of Nairobi are therefore not fully exploited to its fullest potential.

Not all those SME which require marketing support receive it. Some of the SMEs which receive this service are not really in need of the service. They only receive the service because it is available or because of other factors other than the need for this service.

Training Support Service

The chi-squire results of the training support service showed a greater χ^2 value than the table value at 95% degree of confidence. The null hypothesis is therefore rejected. Training support service requirements (needs) and the provision of this service among the SMEs in the city of Nairobi is not independent.

The contingency coefficient value of 0.283 is almost a third of the calculated upper limit of 0.935. The association between the requirement for training support services and the provision of this service to the SMEs in Nairobi is minimal.

A lambda value of 0.020 also shows that the predictability of the training support provision to SMEs in Nairobi is very minimal.

The results of these tests reveal that there is a slight relationship between the SMEs need for training support services among the SMEs in Nairobi and the provision of this service to these SMEs. The needs of training in bookkeeping and general business management skills is slightly met but to a very minimal level. This implies that the needs of training support service are not yet well met. Further, the provision of support service among the SMEs in Nairobi is not fully dependent on the needs for this service, but rather on other issues also. These other issues are causing deficiency of training support to SMEs in the city of Nairobi. Even among the SMEs that have received training support, not all of

them were in needs of this service. Some of these SMEs receiving these support service do not rank this service as a top priority need.

Research Support Service

None of the SMEs interviewed received any support concerning research even though 18% of interviewed SMEs were in need of this service. They needed to know the various market opportunities available to them, information about new designs and markets that could fetch better returns to their business. Since no SME received this service despite the fact that they required it, further tests gave zero value. (see table 9 above). The results above imply that most of the SMEs in Nairobi are not being helped to explore new markets or develop new and better designs that appealing to other customers whose needs are not well fulfilled by the present products. These SMEs are only duplicating the current business. New entrants are pursuing other forms of business but only offering competition to the current ones.

Counseling Support Services

The chi-square value ($\chi^2 = 1.58$) obtained from the computer output is smaller than the alpha value obtained from the table (see table 9 above). The result show that the study results fails to reject the null hypothesis concerning counseling support service to the SMEs in Nairobi. This means that there is independence between the counseling support needs/requirement among the SMEs in Nairobi and the provision of this support service to them.

The contingency coefficient is value of 0.044 was obtained yet the upper limit value is .935. This result shows that the association between counseling needs and counseling service provision among the SME in Nairobi is very minimal. Lambda value is zero, meaning that the predictability of the counseling support provision to the SMEs in Nairobi using this service requirement has no use since there is no relationship. The study results show that there is a great lack association between SMEs requiring and finally receiving counseling service. This implies that most SMEs fall because of lack of counseling especially when they need the service and it is not offered to them. There is need for the providers of these service to come up with strategies of identifying the SMEs who are

ally in need of the counseling services and offer them these support. The need for SMEs to know where the providers of this service are situated is important since it will give them the opportunities to be traced easily in case of nay problem.

Business Consultancy Service

The chi-square value (χ^2) calculated for the Consultancy service is 0.16 yet the tables' critical value is 3.84. The calculated value falls within the critical values' range. The study result therefore fails to reject the null hypothesis. The study results therefore reveal that business consultancy requirements are independent of their provision. The implies that the SMEs which require business consultancy are not necessarily the ones which receive the consultancy services currently being offered to those SMEs in Nairobi. The lamba value is zero. This means that Consultancy support service given to small scale firms in Nairobi does not depends on the need for this service. The business consultancy needs of SMEs in Nairobi cannot be used to predict the provision of this service.

A further test of association (contingency coefficient) gave a value of 0.014 yet the upper limit is 0.935. The results show that the two variables (business Consultancy service provision and requirement) have a very remote association.

The results of the study show that most of the SMEs, which require business consultancy support service, do not receive this support service. The end results is failure and possible winding up of SMEs with various business problems and who require business consultancy to solve these problems but are not able to receive it.

Information Provision Support

This chi-square results fail to reject the null hypothesis. Information provision support services provided to the small-scale businesses in Nairobi is not given depending on the number of small businesses who require the service. This conclusion is arrived at from the fact that the chi-square (χ^2) value calculated is 3.82 and it is less than the table value of 3.84 at 95% degree of confidence. The contingency coefficient value of 0.080 shows that the strength of the association between requirements for and provision of information support to the SMEs in Nairobi is very weak. This lack of strong association between the SMEs information requirements and provision of these service shows that most of the

MEs in Nairobi suffer from lack of awareness about the various contract opportunities available to them, new markets opportunities and even the necessary procedures to be allowed in order to grab a business deal(e.g bidding procedures). These SMEs also lack information about their competitors strategies, customers needs etc.

Technology Development and Transfer Support

The study results failed to reject the null hypothesis. Technology development and transfer support service requirements among the SMEs in Nairobi is independent of the provision of this support service to these SMEs. The chi-square value obtained from the computer output was smaller than the alpha value (see table 9above).

A further test on association between the two revealed a value of 0.118. This value is very low compared to the upper limit value of .935. The relationship between the need for and the technological support services received is quite remote. The lambda value is zero, the provision and transfer of technology cannot be predicted using the SMEs requirement for this service in Nairobi.

The studies results show that the provision of technology to the SMEs in Nairobi does not depend on the needs of these SMEs. Those SMEs that are given technology assistance in terms of expertise and tools and equipment are not those which really require the support. Some of those receiving this service do not consider the service a priority. The end results are poor allocation of resources among the SMEs.

Business Linkage Support Service

Table 9 above reveals that business linkage services offered to small enterprises in Nairobi does not depend on the requirements/needs of these enterprises concerning this particular support service. A chi-square value (χ^2 =2.54) is smaller than that of the critical value of 95% degree of confidence. The results therefore fail to reject the null hypothesis concerning this support service. The contingency coefficient value obtained from the calculation is 0.176. This shows a very remote association between the need for and the support service offered to these small enterprises. The lambda value of 0.036 is also very small. Meaning that the predictability of the SMEs that will receive business linkage support services using these SMEs requirement for this service is very small. Only 3.6% of

se SMEs who receive this support service can be predicted using the requirements as independent variable.

Since business linkage services is not given based on the SMEs requirements, most of the SMEs in Nairobi end up lacking the necessary connections that will help them achieve their objectives. Services like subcontracting SMEs to carry out certain services or supply products to the larger farms so as to establish core competencies among both large and smaller firms in Nairobi is not attained. The end results are higher production costs and lack of specialization among the various business concerns in Nairobi. Most of the SMEs also miss out on various opportunities since they lack their contacts at strategic places to help them out on informing them of the various business opportunities available to them. Business development is also slow because these SMEs do not gain business quickly. Lack of proper business linkage also means lack of proper marketing. The contacts that an SME has could turn out to be the best marketing forum that these SMEs have. Their contacts could inform others about what these SMEs have to offer and win some business contracts for them besides helping out on expertise knowledge like legal matters and other issues concerning these businesses that require expertise knowledge.

The overall picture drawn from the study results reveal the 9.5% of the marketing support services and 2% of the training support services given to the SMEs in Nairobi depend on the needs of these SMEs concerning these services. Therefore the service needs can to a remote extent predict the provision of these service. The association between the re-quirements/needs and the provision of these services is however very small. The remaining support services of business counseling and consultancy, information pro-vision, technology and technical assistance and business linkage services do are not given depending on which SMEs require them but rather on the fact that they are available and by offering them to some SMEs some benefits accrue. A support service like research is not offered to any of the SMEs who require it despite the fact that some of the SMEs in-terviewed were in need of this service.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 CONCLUSIONS

Owners Characteristics

The study revealed that 79% of the small businesses' interviewed are owned by men, while the rest (21%) were female. Most of these owners (90%) are married people who are aged between 31 to 50 years. They therefore have a lot of obligations and commitment to the development of their small enterprises. Since these entrepreneurs are people within the economically active bracket, their development is development to the nation as a whole.

Most of the owners of small businesses in this study did not attain higher levels of education. The study revealed that 20% of those interviewed had only attained primary education while 41% had attained secondary education. However it should be noted that although only 25% of the respondents interviewed had either college or university level education, over 67% of them had on the job training. This training was that concerning itself with either the technical aspects of the job they were doing or on the general business management.

77% of the owners of small businesses in this study are full time businessmen/women (Entrepreneurs), who do not have any other occupation. Full time entrepreneurs and civil servants composed of 80% of all owners interviewed. These are people who depend on their enterprises so much for their survival. The success of their business is a welcome relief to the harsh standards of living, which is a characteristic of low-income earners in Nairobi. Any form of business assistance offered to the SMEs owned by these people will be very much welcomed and strict adherence to the rules laid down will be observed. This conclusion is arrived at after an observation during the interview process where a lot of positive response was experienced in the hope that some business assistance will come from this research. Small Businesses Characteristics

Most of the small businesses in this study are engaged in both manufacturing and selling or services provision. 55% of the small businesses interviewed were engaged in manufacturing activities. These activities included furniture making, tailoring, metal works like

duction of *sufurias and watering cans etc.* 38% of these businesses were in the service provision including chemists, doctor's dispensaries, selling of spares parts etc.

Most (69%) of these small businesses have operated for between one year to six years. The surprising thing is the fact that they still operate in either temporary structures or poorly maintained permanent ones. This is a clear indication that business performance is either poor or there is lack of good management objectives like achieving profitability and business expansion. Though only 12% of the respondents said that business was poor, 77% ranked their businesses' performance as moderate. The rest (11%) ranked their businesses' performance as good. When asked to give the reasons why most of their performance was not good, the respondents sighted many problems. Some of these problems were general since they were affecting all the businesses e.g. harsh economic times caused by harsh economic performance. The more specific problems unique to every enterprise were however sighted to be low demand for these SMEs goods and services, lack of tools and equipment for production of these goods and services, use of outdated technology which is very costly, poor marketing and bookkeeping. These problems though unique to every business, they were common to most of the respondents interviewed. The study therefore concludes that the most of the small businesses in Nairobi generally experience these problems. The small business problems of low demand for the SMEs goods and services, poor advise from friends, lack of tools and equipment, use of outdated technology, poor marketing and bookkeeping and lack of skilled personnel are perceived to be serious by most of the SMEs in this study. Others however perceived Low demand for the SMEs goods and services and poor or lack of marketing however as very serious problems to the small enterprises growth and development.

Small businesses in interviewed in this study mainly require marketing, accountancy training, business linkage and information provision, and technical assistance in terms of tools and equipment assistance and skills training. They perceive these services as most relevant towards their SMEs success. While some of the small businesses consider marketing, technical assistance, information provision and business linkage as very important business development services, other consider them important. Research into new markets and new product requirements and business counseling are among those support

...ces that though needed, they are not very crucial for the growth and development of ...se enterprises. They are considered as complementary (subsidiary) to the above important support services.

...e small enterprises that receive business development or support services are very few. ...ss than 38% of them receive these services. Many SMEs however require these support ...vices. 83% of the small businesses interviewed require marketing services, 71% require business linkage while 65% require research support services into new products, ...w designs/fashion or new and emerging markets. The gap between the needs and the ...ovision of these services is so big that many organizations and agencies should be developed to take care of these problems.

Extension services to the small businesses are also available to only a small percentage of them. Although only 18% of the enterprises interviewed receive extension services, most of the SMEs that benefit from their services feel they are well arranged and managed. They are satisfied with these services. 72% of those who receive these extension services are satisfied with them. These extension services are offered to those entrepreneurs who are members of the organizations giving this service. They include organizations like Kenya Management Assistance program (K-MAP). The extension services are given in areas like bookkeeping, loan proposal development and loan management.

The small-scale enterprises in this study have a big problem of not being given the type of support services they require. The study failed to reject the null hypothesis that the non-financial business development services currently being offered to the SMEs in Nairobi are those that are perceived to be unimportant to their growth and development. This conclusion was arrived at after caring out a chi-square test of independence. The results revealed that apart from marketing and training, the rest of the support/business development services are not given according to the SMEs needs. The individual SMEs who required specific support services did not receive them. The either received other services, which they did not need very much, or they did not receive any support at all. Most of the SMEs who received these services did no rank the support services they received as very important towards solving their most serious business problems.

study results on the tests of association between the support services requirements and provision revealed that there was very limited association. This means that those support services perceived important by the recipients were not availed to them. The SMEs with serious business problems ended up receiving those support services not relevant to their business problems. Individual business support services received by the SMEs did not have any relationship with the support services they required (needed). The business support/development services available to the SMEs in Nairobi are not based on a thorough research into the actual business development requirements of these SMEs but rather on the availability of the expertise and resources among the providers of these services. The support services to the SMEs in Nairobi are therefore supply driven and not demand driven.

5.2 RECOMMENDATIONS

The study found out that low demand for SMEs goods and services, lack of tools and equipment among the various SMEs, use of outdated technology, which is very costly, poor marketing and bookkeeping are the most serious problems faced by the SMEs in the study. Any support or business development services should therefore be directed to solving these problems so as to achieve meaningful profitability, growth and development among these SMEs. Proper logistics and programs should be developed in order to ensure that the support services provided first address the current serious business problems facing SMEs and also contribute to better performance and development among these SMEs.

Marketing of SMEs products and services, information provision about the new markets and areas of potential demand, technical assistance in terms of provision of essential tools and equipment and training on the personnel skills and bookkeeping are considered very important towards SMEs successful business performance. These services are perceived by the entrepreneurs to be very important towards SMEs survival. Any organizations or even individual who intent or who are currently offering any business development to the SMES in Nairobi should focus most of their attention in providing to these services in order to make a meaningful impact on the general development of these SMEs.

Most of the providers of business development services in this study offer business development services that are not very crucial to these SMEs. Lack of proper need assessment on the needs of the SMEs concerning business development services has been the cause of this problem. The study therefore recommends that the providers of the non-financial business development services should carry out a proper study of the real small businesses needs before they set out to provide any support services to these enterprises. Over half of the small enterprises in trhis stuyd have operated for more than ten years yet they still operate in temporary structures and have a big problem with the demand for their products and services. These enterprises have even received financial support services but their progress has been stagnant. There is therefore a need to ensure that the support services offered to these SMEs are those that is relevant to their growth and development.

The business development providers need to refocus their attention and stop focusing on supply driven business development/support services (support given to SMEs because the BDS providers have either the necessary expertise or have received resources from donors to develop small businesses and feel that they can provide these services). The study recommends that support services given to these SMEs must be demand driven so as to ensure that the SMEs in Nairobi gain any meaningful development, The providers must first of all carry out a need assessment to determine the business problems the SMEs in Nairobi are experiencing. A proper analysis of the best support that need to be given to these SMEs in order to solve these problems and gain proper business performance should then be carried out. Various owner-managers can be asked the services they require most and perceive important towards their SMEs development and then develop proper programs to support this course.

5.3 Limitations of the Study

One of the limitations of this study was lack of resource to carry out a detailed research in to the necessary density of business support services. Time constraint also hindered the researcher from enlarging the area of study to include the outskirts of the city of Nairobi.

5.4 Suggestions for further research

The importance of Business Development Services towards the development of SMEs in Kenya cannot be opposed as the results of this study have shown. The demand for these services is very high. The relevance of the individual services in terms of its ability to handle the unique problems of the various SMEs, which are in need of the service, however is questionable. Further research should therefore be carried out to: -

1) Determine in more details the intensity (depth) of business development services offered to the SMEs in Nairobi.

2) Determine if there is any relationship between the elements of business development services (eg extent, type and intensity) and the measures of SMEs performance (eg profitability, employment levels etc)

3) A study should be carried out to determine whether those SMEs which receive both non-financial and financial support services differ significantly in performance from those which receive either only non-financial development/support services or financial support services only.

Appendix one: QUESTIONNAIRE

Section 1 Biographical data:

1 Are you the owner of this enterprise
1. yes
2. no

1.2 Position of the respondent
1. owner
2. Manager
3. Spouse of the owner
4. Support clerk
5. Others (please specify------------------------------------

1.3 If not the owner then answer the questions1.4 and 1.5

1.4 a) Name of respondent --------------------------------
    b) Respondents sex
1. male
2. female

    c) Age of respondent ------------ years old

1.5 How long have you been working in this enterprise? ------------ Years

2.0 Owners Biographical Statistics

2.1 marital status
1. married
2. single
3. widowed
4. widower
5. divorced
6. separated
7. others (please specify) --------------------------------

2.2 a) Sex of the owner
1. male
2. female

    b) Age --------------------- years

2.3 Level of Education
1. no formal education
2. adult education
3. primary education
4. lower secondary education
5. upper secondary education
6. form 5/6
7. college
8. University

2.4 a) Do you have any formal training not listed above?
1. yes
2. no

b) What type of training?
1. On the job training (technical aspects related to your business)
2. On the job training
3. other aspects (please specify)--------------------------------

2.5 Main occupation
1. entrepreneur
2. civil servant
3. teacher
4. doctor
5. farmer
6. nurse
7. journalist
8. unemployed
9. others (please specify) --

2.6 Location and type of premises
1. permanent structure (well maintained)
2. permanent structure (poorly maintained)
3. temporary
4. railway wagon
5. container
6. pavement
7. others (please specify) ---

3.0 Enterprise data

a) Name of the enterprise (if any) ---------------------------------------

b) Year of establishment ----------------------------

c) Type of enterprise
1. manufacturing oriented
2. services oriented
3. merchandising oriented

3.2 how would rate your business current performance
1. poor
2. moderate
3. good

3.3 Please indicate the importance of the following problems where applicable according to the degree in which they affect your operations

THE PROBLEM	RANK				
	Very important	important	Some what important	Unimportant	Very unimportant
Lack of enough customer or demand					
Poor piece of advice					
Inadequate information					
Inadequate tools and equipment					
Licensing problems					
Poor communication					
Poor access to buyers and roads					
Lack of proper use of loans					
Poor record keeping					
Lack of proper management skills					
Use of crude tools with expensive running costs					
Others (specify) ------------- ----------------					

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3.4 which of the following types of non-financial promotional support services would you like to receive?

Type of support service	Would you like assistance (tick where appropriate)	Please Rank[3]
Marketing		
Training		
Research		
Counseling and advice		
Consultancy services		
Information provision		
Technology development & transfer		
Business linkage		
Other (please specify)------- -------------------------		

3.5 a) do you receive any non-financial business promotion services?
1. yes
2. no

b) If yes, from which organization(s)?
1. ------------------------------------
2. ------------------------------------
3. ------------------------------------

3.6 Type of support services received by your enterprise
1. marketing
2. training
3. research
4. counseling
5. business Consultancy
6. information provision
7. technology development and transfer
8. business linkages
9. others (please specify) -------------------------

3.7 a) does your organization receive extension services?
1. yes
2. no

---

[3] 1- very important 2- important 3 - Neither important nor unimportant 4 - unimportant
5 - very unimportant

b) If yes, in what areas are of business these extension services offered

c) How many times does the extension officer visit your enterprise?
1. ------------------ times per week
2. ------------------ times per month
3. ------------------ times per every three months
4. ------------------ times per six months
5. ------------------ times year
6. Others (please specify) --------------------

d) Are you satisfied with the number of visits you receives?
1. yes
2. no

e) If no, then how often do you require these visits?
1) ------------------ times per week
2) ------------------ times per month
3) ------------------ times per every three months
4) ------------------ times per every six months
5) ------------------ per year
6) Others (please specify) ------------------------

f) Are you satisfied with the services of these extension officers?
1) yes
2) no
g) Reasons for the above answer? ---

APPENDIX TWO: Demographic Characteristics

Table 1: Owners Marital status

Owners marital status	Number	percentage	Cumulative %
Married	54	90.0	90.0
Single	4	6.7	96.7
Widowed/ widowers	2	3.3	100.0
TOTAL	60	100.0	

Source: Research Data

Table 2: Respondents Age

Respondents Age	Number	Percentage	Cumulative %
15 – 30 Years	17	21.25	21.25
31 – 40 Years	38	47.50	68.75
41 – 50 Years	24	30.00	98.75
Above 50 Years	1	1.25	100.00
TOTAL	80	100.00	

Source: Research Data

Table 3: Other Forms of Training the Respondents Have Received

Particulars		Number	Percentage	Cumulative %
Type of training	On the job (technical aspects)	38	47.50	47.50
	General on the job training	17	21.25	68.75
	No training	25	31.25	100.00
TOTAL		80	100.00	

Source: Research Data

APPENDIX THREE: SMEs Characteristics

Table 1: Age of the Enterprise

Age of the Enterprise	Number	Percentage	Cumulative %
Below six Years	25	31.25	31.25
6 - 10 Years	31	38.25	70.00
11 - 15 Years	7	8.75	78.75
Over 15 Years	17	21.25	100.00
TOTAL	80	100.00	

Source: Research Data

Table 2: Owners Main Occupation

Owners occupation	Number	Percentage	Cumulative %
Entrepreneur	62	77.50	77.50
Civil Servant	2	2.50	80.00
Teacher	5	6.25	86.25
Doctor	8	10.00	96.25
Others	3	3.75	100.00
TOTAL	80	100.00	

Source: Research Data

Table 3: Ownership verses Business Problem

Type of business Problem	SMEs Ownership				
	Entrepreneur	Civil servant	teacher	doctor	others
Low Product Demand	57	100	40	100	100
Poor Advice	15	0	40	0	0
Lack Of Tools & Equip.	59	100	60	67	67
Lack Of Information	22	50	20	100	33
Bookkeeping	22	50	20	100	33
Poor Technology	60	0	60	0	0
Unskilled Personnel	48	100	60	67	33

Table 4: Current Business Problems

of problem	Does the business experience these problems?				TOTAL	
	Yes		No			
	Number	Percentage	Number	Percentage	Number	Percentage
from friends	49	61.25	31	38.75	80	100
and equip-	13	16.25	67	83.75	80	100
	49	61.25	31	38.75	80	100
information	23	28.75	57	71.25	80	100
keeping	37	46.25	43	53.75	80	100
technology	44	55.00	36	45.00	80	100
ting	44	55.00	36	45.00	80	100
personnel	40	50.00	40	50.00	80	100
non-payment						
ers	17	21.25	63	78.75	80	100

Source: Research Data

Table 5: Ranking of the Current Business Problems

Type of Problem Experi-ed	Very Serious		Serious		Not Serious		TOTAL	
	No.	%	No. %		No.	%	No.	%
demand	20	41	25 51		4	8	49	100
advice from friends	0	0	11 85		2	5	13	100
of tools and equip-ent	7	14	32 66		10	20	49	100
business networking	5	23	13 59		4	18	22	100
ufficient information	5	22	13 56		5	22	23	100
bookkeeping	5	14	21 58		11	28	37	100
dated technology	7	16	30 68		7	16	44	100
marketing	4	9	34 77		6	14	44	100
killed personnel	10	25	24 60		6	15	40	100
hers (e.g. non-payment customers)	3	17	11 65		3	18	17	100

Source: Research Data

Table 6: Type of Non-Financial Business Support Services Needed

Non-financial Support Services Needed	Does your company receive these services? (1)		Percentage (2)		TOTAL 1 + 2	
	yes	No	yes	no	Number	%
...keting	67	13	83.8	16.2	80	100
...ning and booking-keeping	37	43	46.3	53.7	80	100
...arch	15	65	18.3	81.7	80	100
...nseling	20	60	25.0	75.0	80	100
...ness consultancy	24	56	30.0	70.0	80	100
...rmation provision	33	47	41.3	58.7	80	100
...nology development & transfer	64	16	80.0	20.0	80	100
...ness Linkages	57	23	71.3	28.7	80	100

Source: Research Data

Table 7: Ranking of the Needed Support Services

...support services	Ranking of the Support Services								TOTAL	
	Very important		Important		Neither important nor unimportant		unimportant			
	No.	%	No.	%	No.	%	No.	%	Number	Percentage
...ting	34	51	25	37	6	9	2	3	67	100
...ing on bookkeeping	3	8	27	73	6	16	1	3	37	100
...rch	5	33	5	33	3	20	2	14	15	100
...eling	3	15	10	50	5	25	2	10	20	100
...tancy	0	0	5	21	15	63	4	16	24	100
...mation provision	10	30	13	40	10	30	0	0	33	100
...ology development	14	22	39	61	6	9	5	8	64	100
...ess linkages	20	34	34	60	2	4	1	2	57	100

Source: Research Data

Appendix Four: chi-square Computer Output

Marketing Support Services

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	13.971[b]	1	.000		
Continuity Correction	10.450	1	.001		
Likelihood Ratio	10.190	1	.001		
Fisher's Exact Test				.002	.002
Linear-by-Linear Association	13.797	1	.000		
N of Valid Cases	80				

a. Computed only for a 2x2 table

b. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 1.30.

Training Services

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	6.940[b]	1	.008		
Continuity Correction	5.503	1	.019		
Likelihood Ratio	7.776	1	.005		
Fisher's Exact Test				.009	.007
Linear-by-Linear Association	6.854	1	.009		
N of Valid Cases	80				

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.56.

Research Services

Chi-Square Tests

	Value
Pearson Chi-Square	.a
N of Valid Cases	80

a. No statistics are computed because VAR00039 is a constant.

Counseling Support Services

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.158[b]	1	.691		
Continuity Correction	.000	1	1.000		
Likelihood Ratio	.147	1	.702		
Fisher's Exact Test				.562	.562
Linear-by-Linear Association	.156	1	.693		
N of Valid Cases	80				

a. Computed only for a 2x2 table

b. 2 cells (50.0%) have expected count less than 5. The minimum expected count is .71.

Business Consultancy

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.016[b]	1	.898		
Continuity Correction	.000	1	1.000		
Likelihood Ratio	.017	1	.897		
Fisher's Exact Test				1.000	.587
Linear-by-Linear Association	.016	1	.898		
N of Valid Cases	80				

a. Computed only for a 2x2 table

b. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 4.20.

Information Provision Support Service

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	3.824[b]	1	.051		
Continuity Correction	2.194	1	.139		
Likelihood Ratio	3.802	1	.051		
Fisher's Exact Test				.071	.071
Linear-by-Linear Association	3.776	1	.052		
N of Valid Cases	80				

a. Computed only for a 2x2 table

b. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 1.94.

Technology Development and Transfer

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.127[b]	1	.288		
Continuity Correction	.383	1	.536		
Likelihood Ratio	1.007	1	.316		
Fisher's Exact Test				.373	.254
Linear-by-Linear Association	1.113	1	.292		
N of Valid Cases	80				

a. Computed only for a 2x2 table

b. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 1.80.

Business Linkage Support Services

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2.543[b]	1	.111		
Continuity Correction	1.176	1	.278		
Likelihood Ratio	2.266	1	.132		
Fisher's Exact Test				.140	.140
Linear-by-Linear Association	2.511	1	.113		
N of Valid Cases	80				

a. Computed only for a 2x2 table

b. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 1.44.

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